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CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

MULTIVARIETY PRODUCTION IN MACHINERY INDUSTRY

HK201027 Beijing JINGJI GUANLI in Chinese No. 7, 15 Jul 82 pp 53-57

[Article by Yin Gongyi [1438 1872 0308] and Yang Chengyi [2799 2110 5030]:
"Principle Methods for Organizing Multivariety Production in Machinery Industry"]

[Text] During the last few years of readjustment in the national economy the machine building industry has been confronting two major situations. One is the large-scale decrease in demand for traditional machine products, making production in many enterprises extremely problematic. The other is that technological innovations and improvements in equipment in heavy industry, light and textiles industries, the food industry, medical and building construction industries as well as in timber and animal husbandry have resulted in many new products and many new demands. Demands such as these pass through the channels of each department, region and enterprise before reaching the machinery industry as an order, thus making the delivery schedule for goods extremely tight. In view of this situation it is necessary for the machinery industry to continue to support the planned economy and bring into play the effective aid of market adjustments in order to put new life into production.

The machinery industry must therefore incorporate these new demands on machine and electrical products into their planning, and in organizing production, it must grasp and put into practice some theories and methods of multivariety production, thereby improving the adaptability of the industry and ensuring delivery dates as specified in contracts, as well as increasing the economic efficiency of the industry.

1. New Lessons in Production Management

Overseas, particularly in the United States and Japan, the end of the Second World War saw a relatively serious shortage of goods and materials. Whatever enterprises could produce, they were able to sell. This situation continued for quite some time, and during this period the area of greatest concern for enterprises was centred on improving production technology and increasing the efficiency of organised production, while no attention was given to problems of market changes or the marketability of products.

The main method of organizing production was to adopt fixed assemblyline production, thereby seeking stability in planning and harmony within production, and from there improve production efficiency. Later, production began to develop quickly, goods and materials became more abundant and the market itself underwent enormous changes. No longer could an enterprise produce what it liked and be able to sell it; now it had to produce in accordance with the demands of the market and take capturing the market and raising sales figures and profit levels as its management targets. Under conditions such as these, an enterprise had to adapt to the market before it could gain initiative in competition. Thus in the last 30 years or so the theories and methods of economic administration in these countries have seen new developments, the main ones being the following four:

- 1) To make market analysis and prediction the basis for planning organizational work.
- 2) After theories for administration have been established, production plans must come under the guidance of administration plans.
- 3) Use scientific methods to organize the production of a greater variety of products. Production plans must underline the importance of flexibility and adaptability and the need to increase technological services.
- 4) Overall administration must be applied to market predictions, economic and administrative planning, technological standards, production organization, production service and product information and feedback.

From these points it can be seen that the domain of production administration has developed and expanded from the rationalization of the organization of the production process, and high efficiency, to administration of the whole process of production from market analysis to technological services.

China's machinery industry is at the moment undergoing changes similar to those stated above. Without studying market demands, it is impossible to organize production. This will result in blind production, and consequent overstocking. Hence under conditions of market competition in which there is an abundance of product varieties, goods are suddenly in demand and the situation is constantly changing, the demands on production administration are even greater. Production administration within enterprises has thus entered a new domain. Enterprise production management should draw up flexible and dynamic plans, taking into consideration market changes and based on management targets and policies. It should utilize network technology and shorten the period of production technology preparation as well as the production time itself, and in accordance with the demands of contracts, set up assembly line production. For different machine parts adopt different administrative methods, and decide on the production of different batches. For production parts which require up a lot of funds and complex production processes, apply economical methods of batching,

thereby cutting back on costs. Enterprises with the conditions to do so can organize their technology according to the type and shape of the parts to be produced and then decide on assembly line production or processing unit production, all based on greater product variety, short production time and large-scale changes within the market. In addition there is a need for a well organized and planned customer service. The use of large or microelectronic calculators to help in administration allows unimpeded information and fast responses and reactions. These are all new lessons for us in production administration.

2. Main Methods of Organizing Multivariety Production

There must be a strengthening of the enterprise's flexibility toward the market and an improvement in the economic effectiveness of organizational activities within enterprise production. There is a need for a complete set of methods and systems, each separate one with its own characteristics but all inter-related and intercoordinated, before any achievements can be made.

A) Taking management as a central focal point, we must carry out market investigations and predictions while at the same time organizing thorough contract administration.

Market study has its own characteristics and theories, as well as methodology and rules which all enterprises should scientifically learn to utilize. While in the process of using market research and prediction methodology, the enterprise must also rely on its own technological skills, production characteristics and management aims and targets, all with careful planning.

Amongst some successful enterprises abroad, opening up the market and capturing the market requires studious application of "the two appraisals" these being appraisal of the product and appraisal of the enterprise. When dealing with a product new to the market, in addition to analysing the length of the product's life on the market and various market characteristics, it is vital also to thoroughly analyse the characteristics of the product's production technology in addition to making a complete appraisal of the enterprise's own production skills, technological equipment and technological specialities before making any policy decisions. For example, such products as washing machines or bicycles both have markets, but it may not necessarily be suitable for an electrical generator factory or heavy duty machinery factory to manufacture such products. Thus there are four main principles which must be adhered to: 1) similarity between the product structure and that of the products manufactured by the factory; 2) suitability and similarity of production skills; 3) potential for exploiting the factory's specific technology skills; and 4) potential for using the factory's specific technological equipment.

In line with the above principles, the first step in organizing multi-variety production is the question of how, within an enterprise, one should carry out rational grouping and organization as well as putting into production products which already have many different varieties. There are two basic ways. One way is passive, putting a product into production according to consumer demands without changing or adding to the available machinery and equipment. The other is to base product decisions on the enterprise's design, technological skills and production characteristics and to initially draw up many grouping schemes and then decide which product is the best, which ones are not so good and which one is the most rational and practicable. All such products should be made into samples and handed over to salesmen for consideration during the time when orders are taken. When the salesman has come to understand the sample and has made an agreement with the consumer then contractual delivery dates must be worked out and honored. All this must be in accordance with the enterprise's basic production structure. This method is more actively dynamic and is able to avoid or solve problems thrown up by the passive method which generally results in greater responsibilities and complications in productions as well as in contracts with delivery dates that cannot be met.

B) There is a need to organize and work out a management plan to guide the enterprise to adapt flexibly to changes in the market. Here, there is no need to discuss the entire question of management planning, but only that part of management planning relevant to the organization of multi-variety production. In addition to well laid out management goals and policies, management planning should also be flexible, lively and adaptable. Management planning involves both composite and specific planning and the directing of plans for putting into action concrete measures. The following are some points which are directly relevant to improving enterprise flexibility and adaptability:

- 1) The introduction or dismissal of new domains and new products in the overall plan. This sort of planning is of great value in extending spheres of service, opening up potential markets and developing innovations to old products.

- 2) Management planning in periods of change and management planning under adverse circumstances. During this period of readjustment there may be sudden changes in the target of an enterprise's product or services. For example, the Nanjing Steam Turbine Factory was originally designed to produce gas turbines, but because of changes in policy concerning energy and reductions in national construction investment, the factory changed to producing small-scale air pumps and steam turbines and various other small-scale products. The result of this was that many problems emerged in connection with the factory design and the equilibrium between the production capacity of each workshop. Thus when organizing multivariety production it is necessary to work out thorough plans for design, technological skill, technological personnel and workers as well as plans for the feasibility of readjusting machinery and equipment in order that any problems may be overcome and future changes handled easily.

3) Contingency plans. At present in China there are many channels for ordering electrical machinery and a factory which needs new machinery and equipment because of technology changes can order them itself. In such a situation an enterprise can be very unclear on the state of the market. For example, it was originally said that bakelite board, shaving board and fibre board pressing machines were all in great demand and many machinery factories began production. At present, however, the demand for such machines is no longer very great. Thus, enterprises should prepare themselves to counter such problems and to draw up concrete contingency plans for such events.

It is vital that in order to improve an enterprise's adaptability, it is vital to organize production plans of a flexible nature for long-, medium- and short-term production. Under the guidance of the above-mentioned management plans, the machinery industry can work out 10- or 5-year production plans, judging by market changes. By adopting dynamic methods it may undergo annual changes within the following 5- or 10-year period. In yearly terms, the industry can draw up fluid production outlines for a 15- or 9-month period, with changes every month, and constantly introduce market change factors into the plan in order to guide and assist the enterprise's work in technological production. In the course of drawing up this fluid plan, it is vital that the prevailing conditions of the enterprise's existing equipment capacity be fully exploited and all contractual delivery time met.

C) In preparing production technology and drawing up plans, network technology should be utilized and production time shortened.

A fairly widespread problem in the organization of multivariety production is the unsuitability of enterprise product design, machine tool design and production capacity to market requirements. From our examination of several large enterprises such as Huadong [5478 2639] Huabei [5478 0554] and Dongbei [2639 0554], it seems evident that an enterprise which has properly solved the problems of insufficient design and technological weakness, automatically sees improvements in its market and production adaptability. Network technology should be used to organize in a planned way design, technological skills, machine tools and various other things necessary for the preparation of production technology. By starting with a formulation of work quotas for technicians, network plans should be drawn up for each product and all plans should be carefully evaluated and examined to eliminate any contradictions and find possible ways of shortening production time. The period of time needed for the preparation of production technology can be shortened by the reintroduction of the bonus system.

In formulating the preparation period for production planning, a network of plans should first be produced for the processing of products and key spare parts. After evaluation and the removal of any contradictions one will be able to see the feasibility of the production time and storage quotas.

D) Fit out work shops with assembly and production lines, rationalize the setting up of processing work shops, achieve full coordination and ensure the ordered production of multivariety goods.

In line with market changes, some large-scale enterprises with assembly production, such as automobile factories, which set up all sorts of different assembly lines during their preparation period in order to try and satisfy consumer demand, have reduced their production funds. Some other enterprises such as lathe factories and machine tool factories have decided that it is necessary to alter their previous production methods in order to satisfy consumer demands and introduce not assembly lines but workshops fitted out for assembly and therefore more in line with the market's need for a wider variety of products. This may be seen as a very good move. We feel that the multiple assembly methods used in enterprises with large-scale assembly production are good because they may be used in non-assembly enterprises for multivariety production and even in mixed-assembly production lines. For example, by using logical calculations, we may analyze the production and technology characteristics of multivariety manufactured products and establish the value of their specific characteristics and from there establish the key factors in the product's technological production, production equipment and assemblage area. On the basis of such analysis we can establish the extent of influence on the product of any one of the above factors and from there draw up and work out operational plans. From this point, based on the concrete situation of the enterprise, several schemes can be selected and one or more trial models chosen. In this way we can scientifically advance the organization of assembly and installation for the manufacture of a product.

In order to comply with the demands of mixed-assembly work, machinery processing work shops must be able to punctually provide the necessary parts for each product. This is the key to realizing mixed-assembly production.

In order to comply with the demands of mixed-assembly line production, machinery work shops may adopt two organizational methods. One is to organize multiprocess administration, the other is to put into operation production of varying batches at various times. Both of these methods are in accordance with the demands of a production line.

Multiprocess administration means that one spare part or piece of a product is processed by one versatile operator and this one person carries out all stages of the production of one spare part for assembly. Of course the equipment for such machinery processing and the distribution of the labour involved must comply with the demands of the assembly line. Such a method demands a relatively high standard of administration in the enterprise and relatively highly skilled workers. Such organization methods use less funds and are economically very efficient.

Production involving varying quantities and time periods should be based on the enterprise's actual situation. The processing of a spare part should be based on the complexity of the process and the amount of money it costs. Production should be divided into A, B and C, with A representing those products with high costs and complex processing. Based on rational calculations of economic production levels, a rational production limit in terms of time and quantity must be established. Production of types B and C is relatively simple and costs relatively little and on this basis relevant production decisions may be made.

In order to ensure coordination and linkups between assembly, machine processing and other work shops, there is a need to establish an efficient guidance and command system.

In the work of production management, the use of a program board is a good way of ensuring that assembly parts arrive on time. The Changchun No. 1 automobile factory adopted such a method on a trial basis and successfully managed to avoid the piling up of machine parts in the assembly room. It also reduced the amount of funds needed for the manufacture of the product, thereby giving the entire assembly line a new look. This method is well worth popularizing.

E) Gradually carry out the organization of technology and organize multi-variety production for greater adaptability to the market.

In today's industrially developed countries, organized technology for use in machinery processing is already well established. Now, more than half the total enterprises use organized technology and in some countries as much as 65 percent. At present there is ever deepening and widening development in this field, and the application of such technology has now spread from single unit production enterprises to composite production enterprises.

The use of organized technology helps to raise an enterprise's suitability for multivariety production in the following ways:

- 1) It reduces the amount of design and technological work needed for the standardization of product design work. Because of the scientific organization of product parts and the improvement in systematization, generalization and standardization of product design, stock coding is made feasible and on the basis of orders, designers can first select standard blueprints and technological production processes for parts, and design on a larger scale; in this way design and production planning work can be greatly reduced.

- 2) It allows small-scale single unit machine processing to become large-scale. Furthermore, parts with similar processing and of similar size may be combined and integrated, thereby saving time on machinery adjustments and raising processing efficiency.

3) It simplifies production planning and coordination work. Work plans can be drawn up both for organized processing production lines and organised units, thereby avoiding complexities in the planning and coordination work of multivariety production.

On the basis of the current state of China's machinery industry, the move towards the use of organized technology must be made from low level to high level, simplicity to precision, in planned and structured way. As far as commonly manufactured products are concerned, scientific coding should be carried out according to the product's shape, size and production complexity. In this way the Beijing people's machinery factory was able to classify its parts into toothed parts, worm shaped parts, screw parts, etc., a total of 11 different classes, and on the basis of this the factory organized the appropriate production lines and processing units. The object of production organization and administration is to change what were previously unit products into a series of several processing units. Thus all the necessary planning, timing, and other organizational and planning work involved in preparing for product manufacture should have as their objective classification into units. In this classification work, one can generally make use of the normal planning theories and methods. In implementing such principles one can carry out trial runs in one work shop or on one type of product and then gradually expand to include the entire factory. Based on the enterprise's level of administrative work, the parts department may first be organized for production. Later, by organizing design, production work, and machine tools, unified coding systems may be drawn up and work shops adjusted and rearranged as necessary and then production organized following similar principles. As far as the coding system is concerned, the move should be from simplicity to complexity of precision type coding.

Of course, all of the above must be based on extremely solid foundation work, for if the foundations of an enterprise are not sound, there is no way that multivariety production may be organized and developed successfully.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON REORGANIZING LABOR ORGANIZATION

HK220925 Beijing JINGJI GUANLI in Chinese No. 7, 15 Jul 82 pp 32-36

[Article by Wang Yonghe [1660 3075 0735]: "Production Should be Organized According to a Fixed Number of Staff Members and Fixed Quotas"]

[Text] Reorganizing work units, arranging production according to a fixed number of workers and fixed quotas and firmly overcoming overstaffing and laxity are an important content of the present reorganization of enterprises and also an effective means of perfecting the economic responsibility system, tapping potential in production of enterprises and raising economic results. The various sides and sections concerned must make great efforts to do this work well as required by the CPC central committee and the State Council.

The work regarding fixed numbers of workers and fixed quotas is one important aspect of the basic work of the socialist enterprise management and it is also the aspect which was very seriously damaged during the 10 years of internal disorder. Since the 3d plenary session of the 11th CPC central committee, the enterprises' work regarding fixed numbers of workers and fixed quotas has been restored and improved to a certain extent. According to statistics from some localities and departments, the workers who have practiced this system of fixed quotas constitute 70 to 80 percent of the total number of the workers who can practice such a system and the level of fixed quotas of some trades and enterprises has also, to some extent, been raised. Through assigning work according to a fixed number of workers, some enterprises initially put an end to irrational labor organization and overstaffing. For example, since 1978, on the basis of the "four checkups" (checking up on the job personnel allocation, the use of man-hours, the loading of equipment and working efficiency) and the "three contrasts" (contrasting the company's present standards with those issued by the ministry concerned, its present level with its own best level in history and with the advanced level of the same trade), the Shoudu Iron and Steel Company has comprehensively carried out the fixed number of workers and fixed quotas work. The company has tapped the latent power of the labor force totalling 8,768 people, constituting 13.3 percent of the total number of staff and workers. The fixed number of cadres in the whole company decreased from 10,862 to 9,378, a reduction of 13.66 percent. Moreover, it has made proper arrangements for surplus personnel. While the company's

production of iron and steel was limited, output value per worker in 1981 nevertheless totalled 17,140 yuan, or 12.73 percent higher than the best level in history, calculated in terms of the same items. While restoring and intensifying work with a fixed number of workers and fixed quotas, the responsible departments and labor departments of enterprises have done a lot of work in training cadres, setting standards for fixing the number of workers required and fixing output quotas, enforcing the management with a fixed number of workers and fixed quotas, organizing the exchanges of experiences and conducting the study of output quotas. This has played an important role in pushing the improvement of labor organization of enterprises forward and in restoring and strengthening the work with a fixed number of workers and fixed quotas.

However, work with a fixed number of workers and fixed quotas is still a weak link enterprise management at present. The enterprises which have done this work satisfactorily constitute a relatively small number, while mismanagement exists quite widely. The phenomena by which labor organization is irrational, administrations are overstaffed, nonproductive personnel and auxiliary productive personnel on the second line are superfluous, levels of fixed quotas are low and the man-hour utilization rate is low, are still a grim reality in some enterprises. Take a certain large-sized enterprise with more than 40,000 staff and workers for example. The productive workers on the first line constitute 28.8 percent of the total sum of staff and workers; the auxiliary productive workers on the second line, 44.63 percent; and the nonproductive personnel on the third line, 26.5 percent. Among the nonproductive personnel, the increase in the various types of personnel is irrational. Compared with 1966, the number of cadres at the departmental level has increased by 96 percent and the number at the sectional level, by 79 percent; the number of cadres engaging in political work has increased by 57 percent and the number engaging in professional work and engineering technical personnel by only 5.6 percent. While they still had surplus personnel, some enterprises recruited casual workers and peasants to fulfill the tasks in relatively poor working conditions and arranged large quantities of collective labor at the main production posts. The fixed labor quotas of quite a few enterprises have not reattained the best level in history. Some are even over 20 percent less than the 1965 figure and the effective man-hour utilization rate of quite a few enterprises whose production is being carried out normally is only about 50 percent. These problems have not only seriously prevented enterprises from improving their operational management but from a long-term point of view, also produced direct influence on the building of the contingent of staff and workers.

The causes of the above-mentioned problems are multifarious. The main reason however, is that the influence of the damage done during the 10 years of domestic turmoil has not been completely eradicated. As well as this, in the course of the economic readjustment carried out in the last few years, despite insufficient production tasks and superfluous personnel, some enterprises still had to give jobs to the young people awaiting

assignment. Also, the leadership of some enterprises attached insufficient importance to the basic work, such as the fixed number of workers and fixed quotas work and the departments concerned at the higher levels failed to pay close attention to this work and to provide better guidance. This has interfered to some extent with the conducting of the fixed number of workers and fixed quotas work.

Reorganizing enterprises, improving the economic responsibility system and raising economic results are the main tasks for China's present enterprise management. Making a good job of the fixed number of workers and fixed quotas work is both an important content of the reorganization of enterprises and one of the basic requirements for perfecting the economic responsibility system. Therefore, all enterprises must make great efforts to make a good job of the fixed number of workers and fixed quotas work as required by the CPC central committee so that it can play a positive role in improving and strengthening the operational management of enterprises and in raising economic results.

1. Deepen Our Understanding and Exercise More Effective Leadership

Deepening our understanding and exercising more effective leadership is the key to making a good job of the fixed number of workers and fixed quotas work. With insufficient production tasks and superfluous personnel, some enterprises lack sufficient confidence in whether or not a good job can be done in work with a fixed number of workers and fixed quotas. Some leading cadres in the enterprises whose production tasks are relatively normal pay one-sided attention to production to the neglect of management and of the basic work and even hold that carrying out the system of a fixed number of workers and fixed quotas will require a great deal of strenuous effort but produce no quick results, and is therefore not very significant. They fail therefore to put the enforcement of management with a fixed number of workers and fixed quotas on the agenda. The leading comrades in some other enterprises are relatively low-spirited and afraid of inviting pain, of giving offence and afraid that there may be difficulties in making arrangements for surplus personnel, and they fear difficulties in doing the fixed number of workers and fixed quotas work. All these reasons constitute the main obstacle in the strengthening of the fixed number of workers and fixed quotas work, and they should be solved on the basis of deepening our understanding.

The work concerning a fixed number of workers and fixed quotas is an indispensable element for the enterprises in drawing up their plans, accounting their production capacity, doing a good job in business accounting and implementing the principle of "from each according to his ability, to each according to his work." It is an effective measure for developing production and tapping potential in production. To improve operational management, to produce more products which cater to social demand with the minimum consumption of labor and to raise economic results, it is necessary for any enterprise to do a good job in the fixed number of workers and fixed

quotas work. Insufficient production tasks and superfluous personnel have indeed brought more difficulties to the fixed number of workers and fixed quotas works but it is precisely because of this that there is an even greater need to pay close attention to making a good job of the fixed number of workers and fixed quotas system and to organize production in an economical and rational way. Otherwise, the practice of allowing two or three people to do one man's work will lead to a situation in which people depend on each other for work, laxity in both spirits and discipline prevails and labor efficiency is very low. Then, in a situation in which production tasks are abnormal and the administration is overstaffed, can a good job be made of the fixed number of workers and fixed quotas system? Can surplus personnel be properly arranged? The experience of the Shoudu Iron and Steel Company has answered this question. The experiences of some medium-sized and small enterprises, such as the Shanghai crane transportation machine-building plant, the Anshan glassworks, the Hunjiang optical instrument plant and a cargo service company in Changchun Municipality, have also given an affirmative answer to this question. The concrete conditions of these enterprises certainly differ but they have one experience in common. The leadership of these enterprises attaches importance to this work and their guiding ideology is correct. They can open up new prospects in production and in service fields in line with local conditions and by every possible means create wealth for the state. They make use of the opportunity of the administrations being overstaffed for training the staff and workers in rotation from the higher strategic plane. The experiences of these enterprises show that although difficulties are objectively numerous, so long as the main leading cadres of enterprises devote themselves to their work and are foresighted and highly responsible, the difficulties are surmountable, a good job can be done in the work with a fixed number of workers and fixed quotas and fairly satisfactory arrangements can be made for surplus personnel.

2. Arrange Production in Accordance with a Fixed Number of Workers and Fixed Quotas

Arranging production in accordance with a fixed number of workers and fixed quotas is a scientific labor management measure. The staff and workers or production teams and groups whose work load can be measured or checked should carry out fixed labor quotas. Fixed quotas are not shown in the quantity of products alone, but in the quality and consumption as well. As for those staff and workers who carry out the system of fixed quotas, fixed quotas are the basis of the system of a fixed number of workers. The number of workers of this section of staff and workers is fixed according to production tasks and fixed labor quotas. The number of workers of the section of staff and workers who cannot carry out the system of fixed quotas should be fixed separately in accordance with the equipment, posts or the tasks of work. The system of a fixed number of workers includes not only the number of personnel but also the requirements of the personnel. On the basis of the fixed number of workers, it is necessary to set a clear and definite and concrete job responsibility system and

regularly carry out the work of assessment. In the fixed number of workers work, the enterprises must make an assessment of the laborers according to the concrete requirements of the various posts in production or work for the laborers. Those who pass an examination will be given job I.D. cards and allowed to work at their posts. Those who fail to pass the examination, instead of being allowed to work at their posts, must, for the time being, be speedily trained so that they can attain the requirements of their posts as soon as possible. For those who have received the vocational training and still fail to pass the examination other arrangements should be made.

The fixed number of workers work in an enterprise includes not only the fixing of the total number of workers of the enterprise but also the fixing of the number of workers of the various posts and units of the enterprise. The enterprises whose scope of production has been set and whose production tasks are relatively normal must determine the total fixed number of workers of enterprises when the fixed number of workers of the various units and posts of enterprises has been set. The enterprises whose scope of production has not been set or whose production tasks are abnormal or have difficulty in working out the total fixed number of workers must also make a good job of fixing the number of workers of their various units and posts in accordance with the already fixed production and work tasks to create conditions for establishing a normal production and work order. It must still be pointed out that partial changes in no matter what enterprises are a common occurrence and they should readjust the fixed number of workers in good time with the changes in their labor organization and with the improvement of working efficiency. The argument which holds that only when the production tasks are relatively normal and the various conditions are comparatively stable, can the system of a fixed number of workers be carried out, and that once the number of workers is fixed, there should be no change for a long period of time is not correct.

In order to consolidate the achievements of the work with a fixed number of workers and to give play to role of this work, it is imperative to withdraw surplus personnel and to make other arrangements for them rather than allowing them to stay at the former workshops and to drift along at the former posts. When understaffed, the enterprises should report to the higher authorities in accordance with the procedures of examination and approval of labor planning. The responsible departments and labor departments should allow the enterprises concerned to increase the number of personnel who are really needed by means of redistributing personnel between different enterprises or by means of recruiting new workers from society. After the number of enterprises is fixed, the various sides and sections concerned must not forcefully send the people awaiting assignment to the enterprises and the enterprises must not inappropriately increase the number of their personnel for the sake of accommodating the sons and daughters of their staff and workers. With regard to the single item requirements assigned to enterprises by the departments concerned for providing specialized personnel to enterprises, the enterprises are allowed

to implement them on the prerequisite of not interfering with the work and in the light of the actual conditions of specific units. Those who can do their work at that time are allowed to do so and no stress must be put on the practice that a job must be suited to a persons special training.

3. Formulate the Level of a Fixed Number of Workers and Fixed Quotas in Accordance with the Requirements of an Advanced Average Level

Formulating the advanced average level of a fixed number of workers and fixed quotas is the core of the work with a fixed number of workers and fixed quotas and also the main indicator of the quality of the achievements of this work. With regard to the level of the fixed number of workers and fixed quotas, we must persist in the requirements of an average advanced level. Only in this way, can the labor potential be brought into full play, labor efficiency be raised and fairly satisfactory economic results be gained. The so-called average advanced level is a level which can be attained and surpassed by most people and be approached by a few people so long as efforts are exerted in a situation in which production is relatively normal and a relatively full use is made of man-hours. That is to say, when drawing up or revising fixed quotas, we must, on the one hand, take the level of the present fixed quotas and workers' fulfillment of fixed quotas into account in the light of actual conditions and also take such factors as the new technical and organizational measures and the gradual enhancement of the enthusiasm of the staff and workers into consideration. Then, we can set the fixed quotas on the basis of being both advanced and feasible. With regard to the fixed number of workers work, we must implement the principle of "efficient and simple administration, efficiency and opposition to bureaucracy" and in the spirit of high efficiency and full load, while ensuring the needs of production and work. We must put manpower to rational and sparing use and put an end to over-staffing and to the situation in which no one is responsible in economic affairs. In other words, while making comparisons among the enterprises of the same type, we must strive to make the organizational setups small in number but sensible, to use comparatively few people, to make proper arrangements for personnel and to enhance working efficiency and economic results.

In order to do a good job in the fixed number of workers and fixed quotas work, I propose that all enterprises organize a certain force and strengthen investigation and study and on the basis of the "checkups" and "contrasts" and in the light of the standards for fixing the number of workers and output quotas assigned to them by the responsible departments, of the best historical level and of the advanced level of the same trade, formulate their own level of the fixed number of workers and fixed quotas, just as the Shoudu Iron and Steel Company and other units have done. Those which have reached and surpassed the required level must continue to exert greater efforts to practice a more advanced system of fixed numbers of workers and fixed output. Those which have not reached the best historical level must try their best to reach it in the course of the reorganization of enterprises,

and those which really have difficulty in reaching it for the time being must make a plan and reach the required level within a definite time. The practice of carrying out a backward level of fixed quotas and resisting making revisions of fixed quotas for the sake of boosting personal earnings must be opposed and corrected.

It must be emphatically pointed out that the composition of personnel of some enterprises is very irrational, with "the first line being strained, the second line lax and the third line overlapping." This state of affairs interferes with the enhancement of the labor productivity of enterprises and is detrimental to stabilizing the contingent of the staff and workers on the first line whose enthusiasm for labor fails to be brought into full play. The leading comrades of these enterprises must have an adequate understanding of this state of affairs and in accordance with the spirit of the reorganizational reform of the central organs of the party and the state, they must take the reduction of nonproductive personnel and auxiliary productive personnel on the second line and the transfer of personnel to strengthen organizations on the first line as an important content of the fixed number of workers and fixed quotas work and earnestly grasp this work well.

4. Strengthen Ideological and Political Work and Future Implement the Principle of Distribution According to Work

Practicing the fixed number of workers and fixed quotas system has a direct bearing on the immediate interests of the staff and workers, so we must strengthen ideological and political work. It is imperative to teach the staff and workers to carry forward the spirit of being the masters of the country, to take the interests of the whole into account, to have the cardinal principles in mind, to submit to the needs of production, to correctly handle the relationship of the interests between the state, the enterprises and the individual, to subordinate their personal interests to the interests of the whole and their immediate interests to the long-term interests. Since last year's implementation of the economic responsibility system, the drawbacks of egalitarianism and the practice of eating "from the same big pot" which have for years existed in the matter of distribution have begun to be shaken up. However, this problem remains fairly serious and has a great impact on improving the level of the fixed number of workers and fixed quotas. Therefore, while enforcing the management with a fixed number of workers and fixed quotas, the enterprises must take the improvement of the methods of distribution as an important subject which calls for serious study and solution. Attention should be paid to overcoming the erroneous ideas that people's enthusiasm can be aroused only by means of increasing their wages and that the amount of bonuses can only be increased rather than decreased. In reality, since the economic responsibility system was introduced last year in a situation in which there was no increase in the total sum of bonuses, some enterprises have done a lot of work and further overcome egalitarianism in the distribution of bonuses according to the state's stipulations and

in the light of the working posts, the attitude towards labor and the amount of contributions made by the staff and workers. Thanks to the strengthened ideological and political work, the enthusiasm of the staff and workers of some enterprises whose bonuses were reduced was not thus affected but on the contrary, production output increased by a big margin. For example, the average per capita bonuses of the staff and workers of the Shanghai No. 3 wristwatch factory in 1980 were 25 percent less than those in 1979, but the output of wristwatches increased by 60 percent. The level of the bonuses in 1981 remained the same as that in 1980 but the output showed an increase of 45 percent over the previous year. The bonuses of the Liuzhou socks mill decreased by 12 percent compared with 1979 but there was an increase of 44.32 percent in its output value, of 51.4 percent in its output, of 32.11 percent in its profits; 12.91 percent in its output value per worker and its nylon socks were rated as top-quality state products for two successive years. The bonus for every 10 pairs of socks in excess of fixed quotas decreased from 0.24 yuan to 0.158 yuan but the output increased by a big margin.

5. Make Active Arrangements for the Surplus Personnel Resulting From the Implementation of the System of a Fixed Number of Workers and Fixed Quotas

Making satisfactory arrangements of surplus personnel is the important guarantee for doing a good job in a fixed number of workers and fixed quotas work and for consolidating its achievements. Without withdrawing surplus personnel out of the former posts and units, the system of a fixed numbers of workers and fixed quotas will become a mere formality, even if it is put into practice. It must be made clear that the problem of arranging the surplus personnel of enterprises should mostly be solved by the enterprises themselves. In the last two years, in order to solve this problem, quite a few enterprises have adopted a number of methods and achieved marked successes. They can be summarized as follows: Strengthening the transfer of surplus and deficiency of manpower among the internal departments of enterprises and supporting the newly constructed and expanded projects; enthusiastically opening up new prospects in production and expanding the market of products; developing a diversified economy, going all out with comprehensive utilization and developing various service projects in accordance with the needs of the people's well-being; carrying out forestation, renovating factories and beautifying the environment; running various forms of training courses; transferring cadres and technical workers to strengthen the units under the collective ownership system; mobilizing those who accord with the conditions for retirement to retire on schedule; sorting out the workers recruited outside the plan who come from the countryside and discharging the unnecessary casual workers, contract workers whose tasks should be undertaken by the former regular staff and workers; checking on the workers doing collective labor in cities and towns (including the sons and daughters of the staff and workers who replaced their parents' posts informally) and helping them undertake production and service projects which carry out independent business accounting and assume full responsibility for their profits and losses; and turning

the one shift system into a two shift system in commerce, the catering trade and service trades, thus helping to make arrangements for surplus personnel on the one hand and make things convenient for people on the other. At present, as in society, in most of our enterprises there exist the phenomena in which on the one hand, there is an ample source of hands but there is not enough work to be taken up and on the other hand, there is a lot of work to do but there is a lack of hands. There is plenty of room for making arrangements for surplus personnel so long as the leadership attaches importance to the work and tries by every possible means to do it.

While the arrangements for surplus personnel depend mainly on enterprises, the responsible departments of enterprises and labor departments must also strengthen the work of the transfer of surplus and deficiency of manpower between different enterprises and between different trades. According to the statistics of the labor bureau of Hubei Province, the bureau transferred and arranged for the placement of 62,000 people between 1980 and 1981. Shiyan Municipality, for example, adopted various forms, such as giving temporary assistance, the regular temporary transfer of personnel or permanent transfer of personnel, and redistributed more than 4,400 staff and workers to strengthen the newly constructed and expanded units. Years of experience have proved that in the work of the transfer of surplus personnel and deficiency of manpower, we must overcome the mentality of selfish departmentalism. The units transferring their personnel must guarantee the quality and the units receiving the personnel must not set too high a demand on them. Those recipient units which refuse to receive the qualified personnel must not be allowed to recruit workers from society. We must resolutely correct the practice of refusing to accept the personnel who are transferred by other enterprises and who accord with the needs of production for the sake of accommodating the sons and daughters of the staff and workers of the enterprises concerned. At the same time, in the work of the redistribution of personnel, we must teach the staff and workers to submit to being transferred, and those who have no proper reasons but refuse to submit to being transferred must be criticized, educated and even have disciplinary measures taken against them.

6. Enforce Management with a Fixed Number of Workers and Fixed Quotas

After the number of workers of the various units is fixed, it is necessary to work out a plan for a fixed number of workers which should, after receiving the approval of the leadership of the enterprise, be implemented. Without the approval of the leadership of the enterprise, no units are allowed to establish any additional setups and increase the number of personnel or increase any additional types of work in production or to transfer productive personnel to take up nonproductive jobs. An enterprise must adopt both administrative and economic measures to consolidate the achievements of the fixed number of workers work, stabilize the manpower on the first line of production and at the posts full of hardships, effectively control the inappropriate increase in the number of the staff and workers

on the second and third lines, promote the grass-roots units to put manpower to rational and sparing use and continuously raise labor productivity.

After the fixed labor quotas have been set and issued, it is necessary to strengthen daily management, do a good job in the various basic work, such as original records, statistics and analysis, defend the seriousness of fixed quotas and oppose the random changes of fixed quotas and the practice of fraud in the course of its implementation. If man-hours have to be increased as the result of inaccurate fixed quotas or changes in the production situation, they should be submitted to the person specially in charge of the fixed quotas work for permission. No one is allowed to change any fixed quotas at will. As for the staff and workers who carry out the piece-rate wage system, we must strictly control the [word indistinct] man-hours and prevent the occurrence of the situation in which while doing piecework, people have to make up for a lot of substandard work. Under ordinary circumstances, the fixed labor quotas of an enterprise should be checked up and revised once a year. When relatively large changes take place in the situation of production, it is essential to make a timely revision of the fixed quotas. It is imperative to strengthen the work of technical determination, improve the methods for fixing output quotas and raise the quality of the work with fixed quotas. We must adopt the method of technical determination to fix or revise the output quotas of the products which are produced by a batch process and reduce the weight of estimating the work by experience.

In order to enforce unified management over the fixed number of workers and fixed quotas system, in my opinion, the work of fixing the number of personnel of various types (including the number of cadres) and of fixing labor quotas of enterprises must be put under the unified management of the personnel departments. After the fixed number of workers is set, the allocation of cadres and workers should be separately handled by the organizational and personnel departments. An enterprise should establish a setup specially in charge of the work with a fixed number of workers and fixed quotas or be provided with specifically assigned personnel in accordance with the actual needs of work. Generally speaking, the posts of cadres in charge of the fixed quotas work should be held by graduates from the institutions of higher education or from specialized secondary schools who have certain practical experience or by the technical workers who have a relatively high technical level and comparatively rich practical experience. We must continue to strengthen the building of the contingent of cadres in charge of the work with fixed quotas, do a good job in the vocational training and enhance their ideological consciousness and technical and professional levels. The enterprise leading cadres at the various levels must enthusiastically support the work of the cadres in charge of the work with fixed quotas and back up the cadres in charge of the work with fixed quotas who uphold principles and are serious and responsible.

7. Provide Better Guidance and Do a Good Job in Supervision and Inspection

Doing a good job in fixed number of workers and fixed quotas work depends mainly on the efforts of the enterprises themselves. It is however inseparable from the guidance, support and supervision of the departments concerned, and in particular, the responsible departments of enterprises. In the last few years, the various responsible departments of the State Council have formulated a batch of standards for fixing the number of workers and output quotas. But because the enterprises under the jurisdiction of the various departments are relatively numerous and formulating the standards for fixing the number of workers and fixing output quotas is a meticulous and complicated job with fairly heavy work load, the standards which have been worked out by some departments concerned still do not meet the needs of the enterprises. It is high time now for us to firmly grasp this work. The departments concerned which are unable to work out the single item standards for fixing the number of workers and fixing output quotas for the time being must formulate the standards for the organizational setups of the various types of enterprises and the controlling ratios of the enterprise managerial personnel, service personnel and the auxiliary productive personnel on the second line as quickly as possible so as to accelerate the reorganization of enterprises and the increase in the weight of the productive personnel on the first line of production.

While the enterprises are enforcing the management with a fixed number of workers and fixed quotas, the various departments concerned must firmly foster the idea of serving the enterprises, support the enterprises in doing a good job in the work with a fixed number of workers and fixed quotas and reduce the social burdens of enterprises as far as possible. Local party and government organs and the responsible departments of enterprises must also not forcefully arrange cadres to the enterprises or use for other purposes or transfer the personnel of enterprises at will.

The overall reorganization of enterprises is being carried out by stages and in batches. The various localities and departments must provide better guidance to the work with a fixed number of workers and fixed quotas, pay attention to studying and solving the problems cropping up in work and exchange experiences in work. While formulating the check and acceptance standards for the reorganization of enterprises, we must list the work with a fixed number of workers and fixed quotas as an important content, strictly check the work before acceptance, and work which fails to meet the standards must be remedied.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON REORGANIZATION OF ENTERPRISES

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[Article by Jiang Yiwei [5592 0001 5511]: "The Overall Reorganization of Enterprises is a Constructive Reorganization—Part 5"]

[Text] 5. Establish a Set of Scientific and Civilized Management Systems (Part 1)

Good organization and management are important conditions indispensable to all socialized mass production. Marx made a vivid analogy with a musical performance in this respect: If a single violinist gives a concert, he directs himself, that is to say, there is no need for any management; if an orchestra gives concert, there must be a conductor to create coordination and harmony in the performance; in the same way, socialized collective activities cannot function without management. At the same time, Marx also pointed out that management has a dual nature; it consists of both the organization of the activities of productive forces and the embodiment of certain relations of production. With regard to the organization of productive forces, management is mainly restricted by natural laws, and therefore remains basically the same under any social system. Of course, different countries and different enterprises have different levels and characteristics of production technique but this has nothing to do with the social system. With regard to the organization of the relations of production, things are vastly different under different social systems: in capitalist enterprises, the capitalists are the masters of the enterprise and the staff and workers are wage workers, while in socialist enterprises, the staff and workers are the masters. In the matter of distribution, we practice the principle of distribution according to work while capitalist enterprises buy labor power, and then distribute the profits among the capitalists according to the amount of capital invested. Systems of management such as these which are related to the relations of production and the social system are radically different under different socio-economic systems.

We now say that our enterprise management is relatively backward. This is a fact. However, we should make a concrete analysis of this question: In which fields do we lag behind? It should be said that we lag behind others mainly in the organization of productive forces, and fail to suit

the objective requirements of modernized production. In this respect, we must make great efforts to draw lessons from the advanced experiences of the world, to assimilate, signify and adapt them for our use; at the same time, we must continuously sum up our experiences, create management theory and methods with Chinese characteristics, and make our own contributions to enriching and developing the science of management. In the management of the relations of production, it would be wrong to say that we are backward. Although our work is still far from perfect in this sphere, from the point of view of historical development, we are undoubtedly ahead of capitalist enterprises and moreover, our management of the relations of production has great vitality. The problem facing us at present is how to sum up our own experience and gradually establish a set of Chinese-style, modern socialist management systems for enterprises.

The overall reorganization of enterprises requires the gradual construction of a set of scientific and civilized management systems. What is the actual meaning of the adjectives "scientific and civilized" used here? I would like to discuss in brief my personal understanding of this matter in the following paragraphs.

Put simply, scientific management means management consistent with objective laws. What are the objective laws governing enterprise management? Let us make an analysis of these objective laws in the light of the Marxist principle that enterprise management has a dual nature. These objective laws consist of two aspects: on the one hand, they must be consistent with objective laws of nature in terms of the organization of the production process and the three factors of productive forces (manpower, the means of labor and objects of labor). Metallurgical production uses technical processes natural to metals while textile productions uses technical processes natural to fibres. There do exist objective laws governing the matter of how to rationally organize the activities of the three factors of the productive forces so as to enable them to function in the most economical and effective way. If we act in accordance with these objective laws, the economic results we produce will be good. If we run counter to them, our economic results will be poor. On the other hand, the production and operational activities of the whole enterprise must also accord with socialist economic development, and the objective laws governing socialist relations of production, including the basic laws of socialist economy, the law of planned and proportional development, the law of distribution according to work, and so on. These laws are similarly objective. If we act in accordance with them, the superiority of the socialist system will be expressed more fully and the rapid development of the socialist economy will be promoted, but if we run counter to them, economic development will be hindered. The aim of the reform of the economic management system which we are now carrying out is to further arouse the enthusiasm of enterprises and their staff and workers. The reform of enterprises' macroeconomic management will inevitably mean effecting a corresponding change in their microeconomic management.

Civilized management, as I see it, means the embodiment of material civilization and socialist spiritual civilization in the management system. The modernization of production techniques calls for the appropriate modernization of management organization, methods and means. All this is related to material civilization. At the same time, in order to embody socialist spiritual civilization, enterprises must promote ordered production and work, and strict and impartial work discipline, pay attention to sanitation and hygiene, make great efforts toward environmental protection and attach importance to the health of staff and workers and to safe production. In addition, what is even more important is to foster among the staff and workers of socialist enterprises the spirit of being the masters of the country, loving socialism, loving the motherland and the collective, helping each other in unity, stressing manners and morals, and so on.

A socialist enterprise is a relatively independent economic body but also the basic unit of the whole national economy. Every enterprise shoulders certain tasks of commodity production in accordance with social division of work and has its own system of production techniques; at the same time, it constitutes a component part of the greater system--the whole national economy--and has various ties both direct and indirect with other departments of the national economy, other enterprises, and consumers and users. Therefore, scientific enterprise management must be systematic. So far as the internal departments of enterprises are concerned, the various types of management work must form a scientific system rather than each doing things in its own way: as for the external relations of enterprises, this system must adapt itself to the management system of the whole national economy so that the "cells" and the whole economic "body" will be organically integrated together.

The document of the CPC central committee and the State Council on carrying out the overall reorganization of state owned enterprises pointed out that enterprises must carry out overall management planning among the internal departments of enterprises and must at the same time continue to carry out overall quality control and business accounting under the guidance of the state plan. The document further stated that the training of all staff and workers must be integrated with the assessment and promotion of personnel and the adjustment of wages, and so on, such that a set of overall personnel administrative systems would be established and perfected. The overall management planning, overall quality control, overall business accounting and overall personnel administration mentioned here in fact already form an outline of the management system of socialist enterprises. I would like to discuss my sketchy understanding of the four "overall" managements below.

First, establish an overall management planning system with the fulfillment of the state plan and the satisfaction of social demands as its objective.

It is well-known that in capitalist countries social production as a whole is anarchic, but in the internal departments of enterprises there is

thorough and strict management planning. This is an inevitable phenomenon under the private ownership system and moreover an important reason for the repeated occurrence of crises in the capitalist economy. Some capitalist countries have now also adopted microeconomic planning to control and influence enterprises. But the existence of the private ownership system foils their efforts to ensure the planned and coordinated development of social production.

On the basis of the public ownership system, a socialist country can and must operate a planned economy and develop production in a planned and proportional way. This is an important expression of the superiority of the socialist economic system. However, the sort of planning and management systems we operated in the past adopted overconcentrated methods. In state-owned enterprises, all production tasks were assigned by the state to the enterprises in the form of planned targets issued as commands; products were subject to state unified distribution and materials to state unified allocation and transfer; and other matters relating to production, such as labor, wages, the welfare of the staff and workers, equipment, technology, funds and so on, were arranged according to the state plan. Almost all activities of enterprises were arranged directly by the state, with little decision-making power left to the enterprises themselves. The advantages of such planning and management systems was that the plans of the enterprises and those of the state formed a single whole. However, since national economic activities are very complicated, it cannot be wholly appropriate for the state to directly distribute all products regardless of their importance and direct all matters, big or small; on the other hand, without a certain amount of decision-making power, it is impossible for enterprises to give full play to their initiative and enthusiasm in the operation of production. This is extremely harmful to the development of productive forces. While carrying out the present structural reform, we must on the one hand, uphold the operation of planned economy under socialism, and on the other hand, restructure the management planning system in accordance with the principle of "small freedoms under a big plan." In future, state planning will consist in the integration of targets issued as commands and those issued as guidelines. With the prerequisite of ensuring the fulfillment of the tasks issued as commands, and using the tasks issued as guidelines as a reference, enterprises should work out their own production plans based on the needs of the market. This will ensure both the state's centralized unified leadership and the flexibility of the enterprises, better meet social needs and display the superiority of the socialist system.

Since a socialist country operates a planned economy, though an enterprise has relatively independent decision-making power, it still carries out its production and operational activities under the guidance of unified state planning. Therefore, in essence, the management planning of the internal departments of socialist enterprises must be more well-conceived and perfect than that of capitalist enterprises. It must suit not only the requirements of the socialized mass production of the enterprises' internal

departments but also the requirements of the state's planned and proportional economic development.

Establishing an overall management planning system in the internal departments of enterprises is aimed at improving the planning of the enterprise's management and further perfecting the socialist planned economy.

What is the difference between so-called overall management planning and the management planning of the past? They are different in the following ways:

- 1) Overall management planning requires all departments and all jobs within enterprises to be planned.

In the past we learned experience in management from the Soviet Union. We instituted an economic planning section in every enterprise, which organized the various departments to draw up the "production, technical and financial plans" of the enterprise. This could be called a relatively comprehensive plan. With the production plan as the center and through achieving an overall balance, it made the yearly and quarterly arrangements for the needs of such things as the supply of technology, marketing, transport, financial affairs and costs. After the "Cultural Revolution," this overall plan was weakened and even abolished. Most enterprises paid exclusive attention to the production plan. Even if there were other plans, these plans were worked out by each of the internal departments of enterprises in its own way without striking any overall balance, so they failed to fulfill the function of an overall plan.

Although the previous "production, technical and financial plans" involved the major aspects of the work of enterprises, such as production, technology and financial affairs, it was not fully comprehensive. For example, the improvement of product quality was listed as a necessary part of the technical and organizational plan rather than being listed as an independent plan. Because the products were subject to state unified distribution, as far as enterprises were concerned the work of marketing was quite simple and there was no need for them to work out any individual plan.

While establishing overall management planning as proposed now, we must, on the basis of our experience in working out the "production, technical and financial plans," draw up a more comprehensive overall plan and urge all the departments and all the work of enterprises to have a long-term program, a yearly and quarterly plan and a plan of work progress similar to a production and operational plan, just as we do with production. If these plans cannot be reflected by data, they must contain projects, requirements and rate of progress. These plans must be balanced in an overall manner so that all types of work can be coordinated and harmonized.

2) Overall management planning requires bringing the whole process of production and management in an enterprise in line with the plan.

The whole process of production and management in an enterprise is wider in scope than the process of production. In the past, the plans of enterprises were completely determined by the state, and the supply of materials, the sale of products, production funds, the means of production, manpower and other conditions were all handled by the state. As a result, the enterprises were reduced to being pure production units and there was no need for them to take the question of operation into account on their own initiative. Structural reform has brought about great changes. Under the guidance of the state plan, the enterprises have their own decision-making power over their operation, and the quality of their achievements in production and operation has a bearing on their economic interests. Therefore, enterprises must change the pattern of pure production into that of production and operation and grasp the whole process of production and operation on their own initiative. In other words, enterprises must formulate correct policies regarding the whole process of production and operations: This process must be based on information regarding preparation of such production conditions as raw and semifinished materials, power, production equipment and manpower, organization of the process of production, marketing of products, after-sale services for consumers, market research, an understanding of the changing needs of consumers and users, scientific research and experiment, the development of new products and the opening up of new roads in production. They must then organize the various kinds of work into a plan and use it in implementing policies. Only this sort of management planning of a whole process can be called overall management planning.

Over the last three years, due to experimentation in expanding the autonomy of enterprises and developing the supplementary role of regulation by market mechanism, and particularly, because some enterprises were given insufficient production tasks during the course of the economic readjustment, many enterprises [words indistinct]

Some enterprises have established marketing setups to strengthen the work of marketing and consumer services; some enterprises have amalgamated the marketing setups and planning bodies and, based on the need to satisfy social demands and taking marketing-to-production as the main line, have worked out an overall plan for the whole factory; other enterprises, such as the Shoudu Iron and Steel Company, have turned the control of production into that of production and operation, and not only control the process of production but also exercise overall control over the supply of materials, marketing of products, payments for goods, income and expenditure and turnover of capital in accordance with their plan. These instances show that with structural reform, profound changes have taken place in the management of China's industrial enterprises. However, this is only a good beginning. Only when the whole process of production and operation of enterprises is planned on the basis of these experiences can the economic effect of production and operation be further increased.

3) Overall management planning means that all plans are implemented at all levels and in all work and that management planning is carried out by all staff and workers.

If plans are to be more than just idle theorizing, every single "plan" must be implemented down to grass roots level and to each individual and must become the program directing their actions. To attain this goal, apart from encouraging all staff and workers to take an interest in planning and to participate in the formulation of plans one important task is to divide the plan itself into smaller plans according to the principle of "ensuring the long-term plan with the short-term one and the big plan with the smaller one." In other words, we must use short-term plans to ensure the realization of the long-term plan and use smaller plans to ensure the realization of the big one. We must in future always work out our production plan in this way: After the annual production plan of the whole factory is determined, it is necessary to draw up quarterly and monthly plans and then to divide them into daily and even hourly production and operational plans; in terms of space, the plan for the whole factory must be divided into plans for workshops, production teams and groups, and even into plans for every production post and every individual worker. Only by implementing these small plans can we ensure the realization of the general plan.

In the past, other plans were not handled in this way. Overall management planning requires dividing all plans as far as possible into short-term plans and plans for production units, just as the production plan is dealt with. For example, the plan for the supply of materials can similarly be divided into smaller ones so that every purchasing agent has his own monthly, fortnightly and even daily programs.

Some comrades might suspect that if all plans are handled in this way, the workload of planning will be excessively heavy. In fact, it is possible for [indistinct] the internal department of [indistinct] to work out the divided plan. It is not impossible for all people to set to work to gradually develop the plans from rough drafts to detailed programs. It will become more possible once we have the conditions to gradually adopt certain modern methods.

To sum up, overall management planning basically consists of the following main points:

- 1) Under the guidance of the state plan and in the light of the investigation and study of social demands (including the tasks issued as commands by the state), an enterprise makes long-term and annual decisions on its operations.
- 2) In accordance with long-term operational decisions, an enterprise draws up its long-term development program, including a plan for technical transformation.

3) In accordance with the annual operational decisions, an enterprise draws up an annual draft "marketing-to-production plan" and makes a forecast of economic results.

4) With the draft of the "marketing-to-production plan" as the main line, an enterprise formulates the annual tasks and targets of its various jobs and by means of an overall balance, finally determines its "marketing-to-production plan" and other plans, and combines them into the "overall economic plan" of the enterprise.

5) The "overall economic plan" should be divided into quarterly and monthly plans and into plans for the various grass roots units; then the various departments and grass roots units should further divide these into more detailed plans and implement them down to every production or other work unit.

6) Apart from carrying out the abovementioned plans, in order to improve and raise the quality of work, all departments, grass roots units and production units are encouraged to separately formulate a "work improvement plan," that is, to formulate the goals and measures for improvement and its stages and rate of progress and to check on its implementation and results according to the rate of improvement. After improvement has been made, a plan for a higher target can be worked out.

7) Overall management planning also means management planning with the participation of all staff and workers. In order that everyone is concerned with and carries out planning, it is necessary to fully arouse the masses and rely on them to work out the plan democratically so that it will become their own, and to foster the practice of acting consciously in accordance with the plans.

(This subject is to be continued in the next issue.)

CSO: 4006/053

NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON SUCCESSFUL COUNTY-RUN INDUSTRY

HK220639 Beijing JINGJI GUANLI in Chinese No. 7, 15 Jul 82 pp 24-28

[Article by Guangdong Provincial Government Economic System Reform Office: "Why Can Qingyuan County Industry Get High Returns?"--passages in slant-lines denote boldface as published]

[Text] The reform of the economic system in Qingyuan County since October 1978 has brought in three main issues. One is the introduction of an award organized by the county economic committee for county industrial enterprises that exceed the planned profit quota. The second is the scrapping of five industrial administration departments and introduction of direct control of industry by the county economic committee. The third is that on the basis of the award given for profits above the planned quota, the county economic committee is introducing financial responsibilities, increasing work responsibility and above-quota share-outs. The above-quota profits award in Qingyuan County got a mixed reception after its introduction and even today opinions vary. After 3 years has the economic efficiency of Qingyuan County improved or dropped? What can be learned from their experience? What areas still need more thought and examination? In order to answer these questions we recently went to Qingyuan County and carried out some initial research into the situation there.

//1. Qingyuan County is the "flag bearer" for the whole province in terms of high industrial efficiency.//

In Qingyuan County there are only 17 enterprises with 5,000 employees. Before the county-run industrial system was reformed economic returns were extremely poor. In 1977 total output value stood at 28.253 million yuan. From 1975 to 1977 the annual average increase in total industrial output value stood at 0.26 percent. Profits from industry in 1975 were 1.3051 million yuan, in 1976 118,600 yuan and in 1977 313,000 yuan. In the 4 years since the reform of the county-run industrial system, economic returns have been extremely good. Let us first take a look at the industrial figures for 1978 to 1981 in Qingyuan County both in terms of the speed of economic development and economic returns.

(1) Total industrial output value: 1978: 34.9375 million yuan; 1981: 42.7311 million yuan; an average annual increase of 6.95 percent, while the increase in 1981 over the previous year was 15.5 percent.

(2) Industrial profit: 1978: 1.212 million yuan; 1981: 9.2679 million yuan, making an average annual increase over the 4-year period of 97 percent, 14 times the annual increase in output value for the same period.

(3) Profits remitted to the state: In 1977 county-run industries lost 313,000 yuan and the department of finance had to step in and reimburse the losses. In the 4-year period from 1978 to 1981 annual profits handed over to the state increased by an average 79.2 percent, 11.4 times more than the increases in output value for the same period. In 1981 profits handed over to the state were recorded at 1.9902 million yuan, an increase of 32.68 percent over the previous year.

(4) Newly-increased fixed assets: In the 4 years from 1978 to 1981 newly increased fixed assets stood at 6.147 million yuan, an average increase of 6 percent each year. By 1981 the original value of fixed assets had reached 38.384 million yuan, an increase of 5.1644 million yuan over the previous year.

(5) The output value profit rate and fixed capital profit rate in relation to 15 economic and technological indices for the rate of decrease of production costs in county-run industries in Qingyuan, are higher than the average level for state-run industries throughout the province, or occupy first place in relation to county-run industrial enterprises of the same throughout the province (see Table 1).

We selected nine other counties in which the scale of county-run industry approached that of Qingyuan and in which economic returns were fairly good to compare with Qingyuan County. These counties were Qieyu, Gaozhou, Xingning, Enping, Nanxiong, Yunfu, Jieyang, Chaoan and Huiyang. According to the provincial financial department's statistical reports, the average annual increase in total industrial output value for county-run industries stands at 1.1 percent for the 4 years from 1978 to 1981. Actual profits shrank by an annual average of 4.1 percent (see Table 2). However, the total annual industrial output value of Qingyuan County over the same period increased at a speed 6.3 times that of the rate of increase of industrial output value for the other nine counties and actual profits were 3.25 times those of the county-run industries in the other nine counties.

The above figures clearly illustrate that not only has the industry in Qingyuan County made up its losses and achieved profits but the county has now become the flag bearer for the whole province in terms of highly efficient county-run industry.

//2. The reasons for the highly efficient running of industry in Qingyuan County.//

Why has the county-run industry in Qingyuan County achieved such good results? First, the reform of the economic system played a large role

in the situation. Second, economic work was improved, and ideological and political work was strengthened. These two main facts may be linked together to produce five major reasons.

1) The Qingyuan County CPC Committee has proceeded from reality to objectively clear the path of hindrances and has reformed the county-run industry system. Despite complications and difficulties they continuously carried out their tasks, without hesitation, reticence or retreat. In the reform of the industrial system, they maintained the basic stability of the government's economic policies and increased the enthusiasm in economic committees, enterprises, and among staff and workers. One of the most important lessons learnt from the reform of the industrial system in Qingyuan County was the practice of combining the responsibilities, powers and interests with rewards and penalties at every level of the economic responsibility system.

2) According to the policies of the county's party and government leadership organs, the county economic committee issued different kinds of instructions to its subordinate enterprises. The county economic committee divided up 17 enterprises into 6 main types for carrying out concrete instructions. One type was selected due to the county's rich raw materials for sugarcane and ceramics, and thus big efforts were made in this type of enterprise to grasp technological transformation and the necessary expansion of construction to develop the sugar, paper, building materials and ceramics industries in a big way. The second type was made up of enterprises where product sales were stagnant and which timely shifted to other modes of production. When an industrial ceramics factory changed its production to glazed tiles, they regained all their losses and brought new life to the enterprise. The third type was the 'starving' mechanical and electrical enterprise which quickly made some changes to its service orientation and improved its product quality. Within this group the agricultural machinery factory and machinery factory both made profits many times over. The fourth type included those enterprises with fairly normal production which vigorously grasped tapping potential, renovating and restructuring. The fifth type included enterprises with products not very well suited to the open market. In this section, the product structure was readjusted and varieties increased, thereby increasing their competitiveness. The sixth type included those enterprises which had serious shortages of fuel or raw materials and here there were link-ups between supply and marketing relations.

On the basis of issuing directives on a divisional basis such as this, the county economic committee fully brought into play the coordinated balance in the organization of the enterprises' supply, production and marketing, and hence avoided blind administration of the enterprises.

3) The system of economic responsibility on each level within the enterprises was perfected. Planned targets were adapted according to the characteristics of each separate enterprise. An example might be the phosphate fertilizer factory which set up a small target breakdown with production costs as the central feature, recorded rewards for the

multi-level system of economic responsibility from the factory floor to the laboratories, set up detailed production targets and systems of personal responsibility and strict checking standards and reward and penalty systems. Based on original records, the production records for each day were checked and at the end of each month, reward achievements were recorded. As far as the checking standards for the factory leadership was concerned, it involved detailed checks three times a week on factory production and other work. At the end of each month product stores were not allowed to exceed 3 day's worth of production, otherwise bonuses were cut for four of the factory leaders.

4) Uphold tapping potential, renovating and restructuring, and take the road of expanded reproduction by intension. This was another way in which the county-run industries in Qingyuan County were able to improve efficiency. In 1981, Qingyuan's total investment in tapping potential, renovating and restructuring industries in the county amounted to 9.6 million yuan (including 5.6 million yuan payment for goods). In all, 225 sets of equipment were introduced, new factory space construction measured 18,000 square meters, 113 renovation projects were completed, 7 out of 15 major technological transformation programs were completed, successful-trial production of 15 new product varieties was carried out, thereby bringing output value for that year to more than 13.5 million yuan and increasing profits to more than 2.3 million yuan, while tax revenue stood at 4.04 million yuan.

5) Economic activities were closely coordinated, and ideological and political was stepped up. The county economic committee lay a great deal of importance on ideological and political work and set up a political work section. In strengthening ideological and political work they concentrated on four main things. One was party administration by the party. Frequent opinion sessions were held for cadres and workers together, rules and regulations were strictly adhered to and everyone was urged not to adopt a "money-oriented" attitude, and the exemplary role of the party cadres was stressed. The second area of concentration was the setting up of the leading bodies of each enterprise. It was important for the main leaders to demonstrate support for socialism while carrying out their work in production administration as well as making social results a prime concern and the raising of economic returns of vital importance. Third, there was a need to tackle the training of financial statisticians, making sure that they were good "housekeepers," and making them the county economic committee's sentries. Fourth, it was important to set up a healthy staff and workers' congress system under the leadership of the enterprise party committee, thereby giving full reign to the role of staff and workers' congresses, and workers', youths' and women's mass organizations.

//3. A look at several problems.//

(1) The question of giving due consideration to the state, the enterprise and the individual.

Some people say that "while Qingyuan County may have high economic returns, the state gets very little of it." This question needs analysis and then comparison in order to answer it.

In terms of analysis, we should first analyze the real profits for 1981 which totalled 9.2679 million yuan.

(I) Total amount within the system of responsibility handed over to the country finance department was 1.65 million yuan; of surplus profits by the end of the year 340,200 yuan was handed over to the county finance department. Totalled together, the county finance department actually received 1.9902 million yuan.

(II) Returned loans for technological measures were 1.3977 million yuan.

(III) Excluding the price of sugarcane, subsidies measured 233,100 yuan. Sugarcane profits stood at 93,800 yuan, and together they total 326,900 yuan.

(IV) According to provincial government regulations the nitrogenous fertilizer factory fixed quota subsidies stood at 400,000 yuan and total profits reached 1.6025 million yuan for the factory. The combined total was 2.0025 million yuan.

(V) The above-quota profits at the year's end in the county economic committee stood at 510,400 yuan.

(VI) The above-quota profits at the year's end for the enterprises stood at 1.2266 million yuan.

(VII) Bonuses for monthly above-quota profits totalled 1.8136 million yuan in enterprise.

If one only considers item (I) as gain for the state then it is indeed a small amount. In fact, though, items (I) through (IV) all fall into the category of gain for the state, totalling 5.7173 million yuan making up 62.1 percent of total actual profits. The returned loans for technological measures are treated as compensation profits with the permission of the department of finance while the subsidies excluding the price of sugarcane, as well as the returns on profits are all treated as compensation profits in accordance with regulations agreed upon by the entire provincial government. All the enterprises in the province carry out their business in accordance with these regulations. The fixed-quota subsidy for the fertilizer factory was originally an item of payment estimated by the county financial department and the entire profits from the factory went to the enterprise, this being agreed upon and in accordance with regulations throughout the province.

Item (V) actually represents 5.5 percent of the real profits for the county economic committee and the entire amount is used for enterprise production analagous to the nature of the development funds of combined production.

Item (VI) represents enterprise income and makes up 13.23 percent of actual profits.

Item (VII) represents employees' individual wages and makes up 19.52 percent of actual profits.

According to the above figures, the division of profits for the 3 years from 1979 to 1981 are as follows:

1979 -- State received 61.7 percent (including items (I) through (IV); same hereafter), enterprises received 20 percent, employees 18.3 percent.

1980 -- State received 67.8 percent. County economic committee 4.5 percent, enterprises 8.09 percent and employees 19.62 percent.

1981 -- State received 62.1 percent, county economic committee 5.5 percent, enterprises 13.23 percent and employees 19.52 percent.

Thus the division of profits of industry run by the county in Qingyuan means that each year the percentage received by the state represents above 60 percent of the total actual profits. In our opinion this is satisfactory for the state's financial revenues and also upholds the principle of giving consideration to the state, the enterprise and the individual.

Now we should compare, for only by comparison can we make distinctions. Let us take a comparative look at the figures for county-run industry, profit division and financial revenue for the nine counties mentioned above:

Items	County-Run Industrial Enterprise Profits (Million Yuan)	Remitted to Finance Department Amount (Million Yuan)	Percentage of Profits	Retained by Enterprise Amount (Million) Yuan)	Percentage of Profits
Total for 9 Counties	1.3813	1.337	9.7	7.846	56.7
Qingyuan County	9.2679	1.9902	21.5	1.226	13.2

Items	Share of Principal Departments Amount (Million Yuan)	Percentage of Profits	Employees Reward Amount (Million Yuan)	Percentage of Profits
Total for 9 Counties	1.022	7.4	2.058	14.9
Qingyuan	0.510	5.5	1.813	19.5

According to the above table the amount of profits handed over to the finance department by Qingyuan County stands at 1.9902 million yuan, while the total amount of the other nine counties is 1.337 million yuan. These figures still include several variable factors. According to the constant nonvariable figures excepting the 8.529 million yuan of the nine counties made up by subsidies excluding the price of sugarcane, profit returns, returned loans for technological measures and various other items of payment to the finance department, there is not a single cent left from the county-run industries to hand over, and furthermore the county finance department still needs to draw on 5.624 million yuan from reserves.

From such a comparison we must draw the following conclusions: Although the economic returns of Qingyuan are indeed high, this does not mean that the amount received by the state is little. In 1981 the actual profits reaped by the county-run industries of Qingyuan County stood at 9.2679 million yuan, less than the 13.831 million yuan actual profits of the other nine counties added together. Profits from Qingyuan County received by the finance department stood at 1.9902 million yuan, while not only were there no profits from the other nine counties to be handed over, but furthermore the county finance department had to draw on 5.624 million yuan from its funds.

(2) Concerning the question of bonuses.

Some people say that "Qingyuan's economic efficiency is related to the fact that workers bonuses are too high." Whether or not this is true may be seen from the figures.

In 1979, bonuses taken from the over-target profits stood at 716,200 yuan making an average 10.79 yuan per month per person, and together with all other bonuses thus makes 16.79 yuan.

In 1980 bonuses taken from over-target profits stood at 1.0638 million yuan. Taking actual concrete figures of 930,500 yuan, this makes an average 13.69 yuan per person per month, in total 19.69 yuan per month per person.

In 1981 bonuses taken from over-target profits stood at 1.8136 million yuan and on the basis of 1.4209 million yuan, this makes 19.84 yuan per person per month, in total 25.84 yuan per person per month.

//Comparative Table of Realistic Bonus Increases for Workers and Increases in Real Profits of Enterprise as Well as Increases in Profits Remitted to the Finance Department//

	1979	1980 Increase over 1979	1981 Increase over 1980	1981 Increase over 1979
Increase in Profits	100	27.5 percent	71 percent	118.1 percent
Increase in Amount	100	36.3 percent	32.7 percent	82.6 percent
Remitted to Finance Department				
Increase in Bonuses	100	17.3 percent	31.0 percent	53.9 percent

This table illustrates clearly that the increases in actual profits and the amounts received by the department of finance are in fact greater than the increases or rates of increases in bonuses for workers.

Two questions need to be considered in examining the introduction of bonus schemes in Qingyuan County for over-target profits. One is that it is very difficult to set with any accuracy the target for planned profits. If it is set too high it may dampen enthusiasm within the enterprise and among the employees and if it is set too low then it may effect the increase in state revenues. In 1980, on the basis of the bonus scheme for over-target profits, the county economic committee made itself fully responsible to the county finance department for the profits and all surplus was returned to the enterprise and the county economic committee. In 1981 there was a change to a scheme of profit responsibility and yearly increases. Thus in 1981 profits were 1.65 million yuan, an increase of 10 percent over the previous year. In 1982 they are to be 1.8 million yuan, an increase of 9.1 percent over the previous year. In 1983 they are planned to be 2 million yuan, an increase of 11 percent over the previous year. Of the surplus revenue, some will first be returned as payment for goods and after this 50 percent will be channelled back into the enterprise and another 50 percent will be deducted, (except for subsidies for nitrogenous fertilizers) as subsidies for weaker enterprises and as payment for profit returns for the sugar factory as well as other subsidies. The remainder will be divided 60:40 between the county economic committee and the county finance department. This way, it is hoped, will prevent the tendency towards underattainment of the profit targets, while at the same time ensuring the stability of the policy distribution between the state, the enterprise and the individual. Furthermore, it guarantees yearly increases for the revenues of the finance department as well as activating the

enthusiasm of the county economic committee, the enterprise and the workers to increase their profits. Nevertheless when the monthly and seasonal profit targets have been made known to the enterprise by the county economic committee, it is inevitable that sometimes targets will not be reached. If enterprises carry out monthly surplus and monthly bonus schemes then, if a month in which the target is not reached is not deducted, this could mean that it would be very easy for the total bonuses of some enterprises to be over the limit set down by the guidelines for the whole year. For this reason we feel that this monthly scheme should be arranged with a seasonal balance and at the end of the year all figures are totalled up and thus there will be more deductions than subsidies necessary. In addition to all this, while there exists a bonus for over-target profits, the question of whether there should be a composite bonus based on the standard of the total amount of wages is also worth consideration.

(3) The question of forming the organizational structure of industrial management.

In April 1979 Qingyuan County got rid of various sections, including the industrial department, communications department, agricultural machinery department, ceramics department and the second light industrial department. All of these then came under the direct administration of the county economic committee. The number of employees in administration dropped from 146 to 81. This was extremely good for simplifying the administrative structure, improving work efficiency and thinning out the number of people in positions of leadership.

However, when one considers the situation on a provincial, regional and urban basis along with neighbouring counties which have not undergone such changes, one can see that the reform in Qingyuan County has met with considerable problems. For example, after the dropping of the communications department, a communications division was set up in the county economic committee to administer water transportation, shipping, loading and unloading, regional aviation, regional highways, ports, safety supervision, motor vehicle transportation, and so on. But, because the names in the new body did not tally with those of the provincial, regional, urban and neighbouring counties' communications and transportation departments, there was considerable trouble in working between the two. The eradication of the second light industry department meant the establishment of the second light industry company, in charge of 18 factories on the internal scene, but externally it had trouble in exercising its powers. Thus the only way out for the county economic committee of Qingyuan County was to adopt more flexible work methods and as of the start of this year the communications department and second light industry department's names were reintroduced, although for internal matters of administration over enterprises, they are still the communications division and second light industry company. We feel that relevant departments and offices should give necessary support to the reform of the organizational structure of county-level industrial management to permit the smooth completion of this process.

The present situation in Qingyuan County suggests that the reform of the economic system has proved successful. The problems solved by the reform are two in number. One is that it has succeeded in stimulating enthusiasm, the second is that it has been able to put life into the economy. As to whether or not such enthusiasm can really be activated and whether such life can be instilled into the economy, we must take a look at the level of skill and efficiency of the leaders and commanders of the entire project.

In all, Qingyuan County has 17 county-run industrial enterprises and after the reform of the economic system, most of the enterprises saw rises in efficiency, although there were three enterprises which did not enjoy such rises. For example, the Qingyuan ceramics factory is still making continuous losses. The reason for these losses is not in the structure of the system but in the instability of the leadership of the factory. If administration is bad then the system of economic responsibility within the enterprise cannot be successfully put into practice. This is also true for county-run industries in Qingyuan--even though the system may be good, there is also a need to carry out good, thorough work throughout the enterprise and continue to strive to raise the level of economic and political work. On the basis of statistics, there are 63 counties and municipalities which can learn from the experience of Qingyuan County of economic system reform. If we take a general look at the situation it is true to say that all of them have profited from these lessons. Nevertheless the majority of enterprises in these counties and municipalities still do not have anything like the economic efficiency that Qingyuan has. The reason does not of course lie in the economic system but in the fact that the level of their economic and political work has still not caught up. We feel that the experience of Qingyuan in reforming its county-run industrial system is very good and that there is a need to continue this work. As far as the problem of teaching the reality of their experience to others is concerned, it is necessary to learn the details of the Qingyuan experience in actual economic system reform as well as its economic and political work experiences. Thus these are the lessons we can learn from the 4 years of economic system reform in Qingyuan County.

Table 1 -- Comparative table of economic targets for Qingyuan County industries and Guangdong Province state-run industries for 1981.

<u>Target</u>	<u>Industrial (Including Second Light Industry System) Percentage Increase in Total Output Value Over 1980</u>	<u>State-Run Industry Percentage Increase in Total Output Value Over 1980</u>
Qingyuan County	18.70	15.45
Provincial Average	11.41	7.42

[Table 1 continued on following page]

[Table 1 - continued]

<u>Target</u>	<u>State-Run Industry and Enterprise Percentage Increase in Net Profits Over 1980</u>	<u>Percentage Increase in State-Run Industry Profits Received by Department Finance Over 1980</u>
Qingyuan County	71.00	36.68
Provincial Average	6.88	

<u>Target</u>	<u>Profit of Each 100 Yuan of Output Value (Yuan)</u>	<u>Profit for Each 100 Yuan of Fixed Assets (Yuan)</u>	<u>Net Output Value for Each 100 Yuan of Fixed Assets (Yuan)</u>	<u>Production Costs of Fixed Products in Comparison to 1980 (pct)</u>
Qingyuan County	21.67	24.14	166.20	minus 4.48
Provincial Average	10.14	13.10	129.20	0.70

Table 2 -- Comparative table of economic efficiency of Qingyuan County and the other nine counties discussed.

	<u>Total Output Value</u>		<u>Actual Profit</u>	
	<u>Nine Counties</u>	<u>Qingyuan</u>	<u>Nine Counties</u>	<u>Qingyuan</u>
1978	398.487	34.9375	15.689	1.212
1979	357.425	37.915	12.435	4.25
1980	491.191	37.014	13.898	5.42
1981	412.205	42.7311	13.831	9.2679
Average Annual Percentage	1.1	6.9	minus 4.1	97.0

[Table 2 continued on following page]

[Table 2 - continued]

	Amount Remitted to Finance Department		Fixed Assets	
	<u>Nine Counties</u>	<u>Qingyuan</u>	<u>Nine Counties</u>	<u>Qingyuan</u>
1978	4.564	0.346	273.494	32.234
1979	minus 2.06	1.09		
1980	minus 1.508	1.5		
1981	1.337	1.99	301.728	38.384
Average Annual Percentage			(new increase 28.234)	(new increase 6.147)

NOTE: In 1981 the other nine counties had a total of 182 enterprises, with employees totalling 62,076. Qingyuan County had 17 enterprises with 5,969 employees.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON ENTERPRISE ECONOMIC FILES

HK180851 Beijing JINGJI GUANLI in Chinese No. 7, 15 Aug 82 pp 15-18

[Article by Wang Hua [3769 5478] and Jiang Xianzhou [3068 0341 0719] of the capital construction department of Liaoning Financial College, Dalian: "Setting Up Economic Files on Enterprises is an Important Measure for Doing a Good Job in Loan Work--Investigations of the Financing Department of the Qingdao Municipal Branch of the Construction Bank"]

[Text] The financing department of the Qingdao branch of the Chinese People's Construction Bank was formed in March 1979. Since its formation, it has provided loans for more than 10 kinds of special construction items. Including small technical loans, loans for the export of special items of industrial products and loans for importing foreign technical equipment with complete parts made in China. It has approved 228 items with total funds coming to 133.93 million yuan, of which 18.57 million yuan were raised by the department itself. Up to the end of November 1981, the department had lent 94.59 million yuan and recovered 55.81 million yuan. Not counting the bad loan losses from other units the loan recovery rate is more than 70 percent. Loans provided to light industry and the textile industry made up more than 80 percent of the total loans approved and consequently, this department has executed well its role as an economic lever for developing the light and textile industries in the city of Qingdao and in meeting market demand both at home and abroad. One of the main reasons for this department achieving better results in providing loans is that over the past few years, the staff of this department have carried out in-depth investigations and studies of enterprises and formed enterprise economic files to grasp first hand data.

I. The Demands of Practice

Without understanding the whole situation, it would not be possible to become active in providing loans. The orientation in supporting various special loan items includes developing famous brand products and products that are in short supply, meeting market demand and increasing exports. Therefore, whether the proposed construction items accord with the conditions of financing depends on the trade to which the construction items belong, the situation of the region where the construction is carried out and the situation in the production and management of the enterprises

concerned. In the past, the bank was not familiar with the conditions in various trades, regions and enterprises and because the time needed from projects handing in applications to checking and approval was very short, the bank was consequently in a very passive position when checking and approving the projects with the departments concerned. For example, the Qingdao municipal No. 5 plastic factory applied for a 150,000 yuan loan for expanding a workshop that was producing all plastic washing machines. According to planning, after expansion, the factory would be able to produce 12,000 washing machines annually, with annual output value coming to 1.8 million yuan and an annual tax of 168,000 yuan. The higher leadership concerned supported and approved this project. The bank had no opinion and granted the loan. Later, the production of the washing machines was carried out hastily, product quality was low and the selling price was high. Consequently, the washing machines were unsellable and the factory was compelled to turn from producing washing machines to producing only the inner linings for the machines. The factory repaid the 150,000 yuan loan after it had borrowed money from other units.

Things often go against our will when we do not understand market situations. The Qingdao neon light factory lost money because the damage rate of neon tubes bought from other places was very high. In 1980, the Taidong regional industrial bureau asked the departments concerned to help solve this factory's problems. The Qingdao municipal planning commission, economic commission and other departments concerned carried out studies and investigations and decided to build a glass melting furnace in the medical glass factory in the Changgou region so as to produce neon tubes for the factory. The municipal financial bureau and the Qingdao branch of the bank appraised the economic efficiency and repaying capability of the project and decided to provide a 225,000 yuan loan. The products of the project were semifinished and the factory was the user. Therefore, whether the tubes would be marketable or not, basically depended on whether the neon lights made by the factory were marketable. The medical glass factory produced standard neon tubes, but there was an excessive supply of neon lights, and the management level of the neon light factory was very low. Consequently the neon lights produced by the factory were unsellable. As a result, the supply and sale agreement between the two factories was useless and the neon tubes produced by the medical glass factory were stockpiled. The glass factory filed a suit against the neon light factory to the economic tribunal of the Qingdao municipal intermediate people's court and demanded that the latter pay compensation of more than 700,000 yuan for economic losses caused by the stockpiling of the tubes. But it was beyond the reach of the neon light factory to compensate. This case remains unresolved while the 225,000 yuan loan has become overdue. In order to prevent the recurrence of similar cases, the bank has since carried out studies and investigations for gaining information. This measure is an effective way for accumulating data.

Without being familiar with conditions in the enterprises, it is not possible to correctly define the economic efficiency of projects. The loans for

various special project items have the nature of tapping potential and reforming and such loans are provided to and repaid by the existing enterprises. Therefore, the economic efficiency of projects depends on the production situations of the existing enterprises. In their bid to get loans, some enterprises have spared no efforts to explain how high would be the economic efficiency of their new projects and said that they would repay the loans in a short while. As the staff concerned in the bank used not to be familiar with the management and production of enterprises, they were not in a position to make effective proposals with regard to projects. It rested on the units concerned to explain the efficiency of projects, no matter whether the explanation was proper or not. Unable to define the economic efficiency of projects, it was, eventually, risky for the bank to provide loans under such conditions.

Without overcoming shortcomings and showing off advantages it would be difficult for the bank to execute its roles still better.

At present, there are a number of banks providing loans for various special project items. The construction bank is a special state bank that has carried out the business of investing in fixed assets for many years and therefore has more experience in the management of the investment in such assets. But the bank loan procedures were characterised by red tape and there was a lack of understanding between the bank and enterprises and consequently enterprises were reluctant to take loans from the bank. In order to activate financing activities, the bank had to show off its advantages and overcome shortcomings. It had to simplify financing procedures and what is more important, it had to study and investigate enterprises so as to become familiar with and understand the situations of these enterprises. In this way, the bank will be able to execute its role still better.

II. It Was Decided To Do a Good Job in Enterprise Investigations and Set Up Enterprise Economic Files

In order to accord themselves with the development of situations, the staff of the bank visited enterprises to make studies and investigations so as to set up enterprise economic files. To start with in this work, they carried out investigations of the paper manufacturing industry in the second half of 1979 as an experiment so as to get experiences for carrying out financing work in an overall way.

They first of all carried out investigations of various management bureaus so as to acquaint themselves with the history of the paper industry, the current situation and future development plan. Then, with support from various management bureaus, they proposed to inform the enterprises concerned of the investigations to be carried out by the bank so that this work could be carried out smoothly. The investigations were mainly concentrated with light industry and textile industry. Investigations of other trades in the city are also being carried out in the order of the importance of each trade.

Investigations of each enterprise are carried out in two stages.

The first stage is to investigate the enterprise itself and collect data. The first step is to hold discussion in which leading members of the enterprise introduce the history of their enterprise, its current situation and future development plan. The comrades in the bank investigation group spare no efforts to help the enterprise to have a deeper understanding of the bank and to promote the relationship between the bank and the enterprise. Then, they visit various facilities to understand the process of production, visit various administrative departments to understand the situation of production, supply and sales, current production conditions, production potential and the problems that have to be urgently resolved in developing production and the situation of the previous investments. Finally, they investigate and collect the related accounting and statistics data.

The second stage is to compile the data and make files. Following the investigations, the results of this work are discussed and analyzed. The data are compiled into an investigation report in the form of words and tablets. The "small and rapid" projects that are found during investigation are listed and it is suggested that the bank's financing department provide loans to such projects. With the consent of the leadership of the investigated unit and after being checked by this unit's departments concerned, the report is turned into the files of this enterprise. The report is also passed over to the bank's provincial branch.

The contents of investigations include the following 6 points.

1. Investigations of productivity. This part is to understand the quality, quantity, varieties and specifications of the products of the enterprise concerned, its best production level in the previous year and in history, the results of previous investments, planning for future development and the situations of the similar trades at home and abroad.
2. Investigations of the sources of raw materials. This part of the investigations is to understand the varieties, quantity and quality demand of the main raw materials needed by the enterprise. Other purposes of the investigations include supply and consumption norms of the raw materials and advanced norms of the enterprise and of other enterprises at home and abroad.
3. Investigations of the sales of the products. This work is to understand the situations in the sales and marketing channels of various factories, product quality and cost, producer price, product competitiveness and development trend.
4. Investigations in technical equipment. This work is to understand the total value of the fixed assets of various factories, floor space of the factories and building space, the balance between the quantity and efficiency

of main equipment and technical equipment, the potential of the existing equipment and future potential. It is also to understand the equipment of motive power of various factories and the actual need, supply and consumption norms of water and electricity.

5. Investigations in handling the "three wastes." This work is to understand the state standard about discharging waste, the current situations of various factories in handling waste and suggestions as how to solve waste in future.

6. Investigations in management. This part is to understand the norms of staff and workers and their deployment and the proportion between technicians and production staff of the various factories as by the end of 1980; the output value, profits, tax and accumulation of various factories in the previous year. This work also includes understanding the highest level in the history of factories and the advanced level of the same trades at home and abroad.

III. The Situation and Initial Achievements of Investigations

From the second half of 1979 to the end of 1981, the staff concerned in the bank carried out investigations of 105 enterprises, made reports and formed economic files about 35 enterprises and made 5 reports about investigations of trades. These works have opened up a new road for providing and making good use of the loans in special projects, strengthening the scientific nature, activeness and rationality in financing work and guaranteeing that the financed projects will have advanced technology, economic rationality and feasibility in construction.

1. Understand the situation of trades with definite loan orientation.

It is the central task of the bank's financing department to decide how to make use of the loans for various special projects, promote the advantages of Qingdao City and tap the potential of its industries. What are the advantages of the city? Where is the potential? Answers to these questions have been initially found through investigations. For example, the investigations of the knitting industry, garment industry and printing and dyeing industry showed:

The knitting industry is one of the industries in Qingdao that is producing more famous brand products and "fist" [greatly in demand] products. For example, stretch shirts and jeans and chemical fibre sportswear are famous export items. Looking from the point of view of future demand, knitted underwear and shirts will become more popular in the world while the demand in the home market is also growing. Therefore, the knitting industry must be developed. But at the present stage, this industry has the following problems: incomplete technology, the productivity of many enterprises is not balanced and consequently major equipment can only handle less than 50 percent of its capacity, the varieties of products are monotonous while

some products are unsellable; the knitting industry is a small proportion of the textile industrial system and the amount of yarns used by this industry only make up 11.6 percent of total consumption in the city. This figure is not only lower than the figure of 30 percent for Tianjin, which is the highest across the country, but also lower than the national average figure of 15 percent. Workshops of this industry are narrow and equipment is old and they cannot meet the need in the development of production.

In the garment industry, home market oriented garments are generally stock-piled while the tasks for producing export oriented products are not filled because of the lack of materials. Export oriented silk garments are welcomed by buyers at the Guangzhou fair and trading is active. This industry has high equipment productivity which is basically balanced.

The history of the printing and dyeing industry in Qingdao dates back more than 60 years. The city is one of the old national printing and dyeing industrial bases. This industry has a relatively high technical level. Its production output value makes up about 30 percent of the textile industrial system, profits make up about 35 percent and the number of technicians makes up 2.2 percent of the total number of staff and workers. But the width of the cloth produced is narrow and therefore the products cannot meet market demand for wide width cloth; the productivity of famous brand products is too small to form "fist" products. This industry is not in a position to meet the demand in home and foreign markets, its products are in short supply with small export proportion. The sewage level in this industry is not up to the state discharging standard.

The data of the above mentioned enterprises showed that these three industries represent advantages of the city. What is to be done by the bank in supporting the development of these trades? In this aspect, it is necessary to treat different trades according to their own specific conditions. 1) To make up for the breach in the productivity of the knitting industry as quickly as possible, carry out new construction and expansion projects and support the industry in increasing the output of famous brand products, increasing varieties and promoting exports in a big way. It is also necessary to renew the old equipment and the warehouses that are in a dangerous condition. 2) To support the printing and dyeing industry in developing its capacity of producing wide width cloth and this support must be mainly concentrated in developing famous products and exports. 3) To control the development of garment industry and support must be given mainly in developing famous brand products, adding varieties and developing the production of silk garments.

2. Those engaged in investigations have developed their understanding of enterprise management and professional level.

Comrades who have taken part in economic investigations said: "Economic investigations are an important way for doing a good job in the financing work of the bank. They have also provided us with a good opportunity for

understanding enterprises, studying the knowledge of management and improving our professional work. The guiding roles of the investigations in financing work are becoming more important and we have experienced benefit from these investigations." For example, in referring to special features in the demand of textiles at present stage, a comrade who has taken part in the investigations of textile industry said confidently: "Customers are concerned about 1) varieties; 2) wide width cloth is more marketable than the narrow width, colored textiles are more marketable than none-colored cloth and thin textiles are more welcomed than the thicker ones and finally, the demand of textiles is highly seasonal." According to his view, our support for the textile industry must be mainly concerned with adding varieties and on this basis, attention must be paid to the width of cloth, colors and thickness and to the fact that the products of textile mills must accord with seasonal changes. Following the investigations of the textile industry, those who are responsible for financing work in the bank are able to make their proposals in defining loan items and with more initiative, the bank now has higher prestige.

3. Have reasons for defining loan items.

Through investigations, the bank is now in a better position to understand the production, supply and sales and various management levels of various enterprises and their positions within the trades and in the market. With enterprise files in their hand, the staff of the bank is familiar with such situations as which of the trades have the most advantages in Qingdao, which are the "first" products of these trades and what is the real potential of enterprises. Consequently, in deciding loan items, the bank is active and able to provide loans on firm foundation. In September 1980, the Qingdao municipal light industrial bureau suggested that the second paper mill be provided with 1.9 million yuan loan for a small capital construction to improve the capacity of producing thin paper. According to planning, the mill will increase production by 2,900 tons, with 6.3 million yuan output value, 1.45 million yuan profits and 630,000 yuan tax. With regard to the application for the loan, the bank checked the files of the paper making industry. Data showed that the supply of raw materials for the paper industry and particularly the supply of wood was very tight. And to increase production capacity by 2,900 tons annually meant that more than 7,200 tons of raw materials would be required and these raw materials were equally composed of wood and grass. This situation showed that whether the project could be carried out depended on the supply of the raw materials. Thus, with this question in mind, the staff of the bank who were responsible for financing, visited the related departments and units to carry out investigations which showed that there were not enough raw materials. The bank decided that the project could not be carried out to avoid blindness in construction.

4. In the interest of solving the problems that crop up in the process of financing.

Capital construction is complicated, therefore even if initial investigations are carried out in the process of checking and approving loan items, problems will inevitably crop up. But the problems that are found during investigations can be resolved because the reasons for such problems can be found quickly. For example, the bank investigation group that is responsible for investigating the textile industry once investigated the Qingdao woollen mill and found that although loans had been provided on three occasions for the construction of a dyeing workshop, more funds were still needed. This loan item was typical of a "fishing" item. The originally approved loan was 940,000 yuan and this figure was later augmented twice by 330,000 yuan and 590,000 yuan, with the present total coming to 1.86 million yuan. The group investigated the management of the mill and the feasibility and necessity of building the workshop. It was found that the construction project required little investment, had a rapid turnover and big profits and therefore this project was worth financing. The group then studied the problem of the "fishing"--overdraw and it found that it was because the loan system was not rational while the enterprise itself lacked construction experiences. In addition, the higher departments concerned had no ability to solve problems. For another example, our country still does not have a complete "2 seconds separation" sewage treatment method. Therefore it was difficult to calculate the cost of such project. In addition, this project required big expenditure that exceeded the originally estimated cost. First it was decided not to provide another loan; later an addition of only 70,000 yuan loan was provided to this project. As a result, while the old problem was resolved, a new one occurred. The bank investigated the situation of the construction and the reason for overdrawing and suggested that the project begin production as soon as possible so as to solve the problem of funds. The financing department of the bank agreed with the proposal of the group and the problem of this project is now being resolved.

5. Understand conditions for feasible study of loan items.

Both positive and negative experiences proved that to carry out a feasibility study of loan items is important for improving investment efficiency. But it will not be possible to carry out feasibility studies without information and materials' nor will it be possible for the staff concerned to carry out such studies if they do not understand the knowledge of management. Therefore the investigations of enterprises and the formation of economic files have made it possible to carry out feasibility studies.

One of the main tasks of the bank at present is to step up economic investigations and exchange information. To collect and analyze the data from the investigations of various enterprises and trades in one region is in the interest of defining the investment orientation in that region. But it is not enough just to carry out this work in one region and to define the

investment orientation of this region only. If the branches of the bank across the country carry out and persist in these works, it will consequently be possible for the head office of the bank to collect and analyze the data and situations of various places and proceed from the situation of national production, supply and sales and feed back the information to various places. In this way, the bank will be in a position to understand the advantages and investment orientation in various places and consequently it will be able to carry out financing work more consciously and scientifically. This is the way for the bank to do a good job in financing and to raise investment efficiency.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON SYSTEM REFORM, SHOUDU EXPERIENCE

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[Article by Jiang Yiwei [5592 0001 5517] and Lin Ling [2651 0407]: "System Reform as Seen From the Shoudu Iron and Steel Company"]

[Text] In order to grasp the first-hand data and probe into the reform of the economic management system, we and other comrades carried out study and investigation of the Shoudu Iron and Steel Company in March this year.

The Shoudu Iron and Steel Company is one of the eight enterprises that were the first to expand their autonomy with approval from the state economic commission. Like other enterprises that are carrying out other experiments, the Shoudu Iron and Steel Company has not completely realized the autonomy that is defined in the documents of the experiment. Yet over the past 3 years, this company has exercised a certain degree of autonomy with regard to production, planning, sales of products, profit retention and the use of funds. Thanks to the expansion of its autonomy, the company has consequently activated the economy and has also been able, despite many difficulties in carrying out economic readjustment, to increase income although its production has decreased and it has made tremendous achievements. Through practice over the past 3 years, comrades in this company have a deeper understanding of system reform and have made many proposals to our great enlightenment. From the situation of reform of the economic management system in the Shoudu Iron and Steel Company, we gained the following views:

(1) System Reform Is a Way Out for Raising Economic Returns and Promoting Economic Development

Since the 3d plenary session of the 11th CPC central committee, our country has carried out the principle of the open-door policy and enlivening the domestic economy and has also carried out experiments on reforming the economic management system through expanding the autonomy of enterprises and carrying out market regulation. We all agreed that the orientation of these measures is correct and considerable achievements have been made. But at the same time, there have appeared some problems because the work in the reform of macroeconomic management was lagging behind. In order to appraise the gains and the losses in this work, it is imperative to sum

up in an overall way the related experiences and lessons. Reality in the Shoudu Iron and Steel Company shows that following the reform and particularly following the introduction of the economic responsibility system, the production tasks of the enterprise and its management are shared by all staff and workers. Consequently, the staff and workers have displayed their initiative as masters of their own country, both the enterprise, and the staff and workers, have been active in promoting the improvement of economic returns, in a big way, ensuring the income of the state and realizing the state's centralized leadership. At the same time, the life of the staff and workers has been improved and an excellent situation has prevailed throughout the enterprise. Following are the main achievements of this enterprise.

First, under the condition of implementing the principle of readjustment, economic efficiency has been raised to guarantee state income.

Over the past 3 years following the expansion of autonomy, the Shoudu Iron and Steel Company recorded total net profits of 826.22 million yuan; an average of 275.4 million yuan per year. This figure was 189.51 million yuan higher than 1978 prior to the expansion of autonomy and represented an average annual growth of 45.32 percent.

During the 3 years, the company handed over to the state a total of 730.01 million yuan of profits; an average of 243.34 million yuan per year. This figure represented an annual growth of 34.5 percent against the figure of 180.92 million yuan in 1978.

The profits handed over to the state and the tax during this period totalled 838.05 million yuan, averaging 279.35 million yuan per year. This figure represented an annual growth of 27.91 percent against the figure of 218.4 million yuan in 1978.

Prior to the expansion of autonomy, the state got profits from the company but at the same time it also invested in the capital construction of the company and made special investment. Following the expansion of autonomy, the company has been able to increase every year the amount of profits that are handed over to the state while the funds allocated to this company by the state have decreased every year. If the state's increased income and decreased allocation are combined, the state's actual income is still higher:

	Profit Remitted to State (million yuan)	State Allocation (million yuan)	State Actual Income (million yuan)
1978	180.92	157.88	23.04
1979	213.13	72.62	140.51
1980	246.88	54.65	192.22
1981	270.00	10.68	259.32

In the 3 years following the expansion of autonomy, the state's actual income totalled 592.05 million yuan, an average of 197.35 million yuan annually. This figure was 174.31 million yuan more than the figure of 23.04 million yuan in 1978 and it has increased annually.

The comparison between the actual income of the state and enterprise has also resulted in annual increases in the proportion of the state's actual income:

	State Actual Income (percent)	Enterprise Actual Income (percent)
1978	12.2	87.8
1979	60.5	39.5
1980	67.7	32.3
1981	83.6	16.4

The situation in the Shoudu Iron and Steel Company shows that the reform of the economic management system does not upset the state's financial income; on the contrary it increases it.

Second, the enterprise has exercised its autonomy in the way of making use of the funds at its own disposal in carrying out technical transformation and changing its outlook.

In the 3 years following the expansion of autonomy, the Shoudu Iron and Steel Company has recorded total net profits of 826.22 million yuan, of which 730.01 million yuan (88.4 percent) was handed over to the state and 96.21 million yuan (11.6 percent) was retained by the enterprise. In addition, the total amount retained in the 3 years, including the funds for renewing and transforming equipment, was 114.07 million yuan and the income from comprehensive utilization was 10.35 million yuan, making a total of 220.63 million yuan.

Of the amount retained, 84,638,200 yuan were used in carrying out technical transformation, increasing product variety, improving product quality and improving labor protection and 55,998,800 yuan were used in projects for saving energy and dealing with pollution. These two aspects amounted to 140.637 million yuan, 63.7 percent of the total funds retained by the enterprise. These investments were previously made by the state but after the expansion of autonomy, these expenditures were covered by funds retained by the enterprise. All major reforms were approved by the state.

Prior to the expansion of autonomy, such items of technical transformation were approved by the state every year and the state had to make investment every year too. And these projects were often delayed which adversely affected the results of investment. For example, a coal-gas pressure

station project was started in 1959 and it was completed 21 years later. Following the expansion of autonomy, the unfinished parts were assembled and completed in just a matter of 11 months. Another example, there were fires around the original benzol workshop and therefore an explosion would have been enough to devastate half of the company and this problem remained unresolved for many years in the past because no state investment was used to solve this problem. In 1981, the company used some of its retention funds to relocate the workshop and thus avoid the hazard. Last October, the company used 3.082 million yuan from its retention funds to instal some new-technology magnetic rolling equipment in its Dashihe ore dressing plant. With this equipment, this plant is able to crush and dress ores after discarding the waste stones that make up 10 percent of crude ores. It is now able to produce an additional 180,000 tons of fine ore powder annually and an additional 5 million yuan of income. The boiler of the company's motive power plant originally used coal, with enormous exhaust gas wasted by the furnace to cause high consumption and serious pollution. The density of the dust contained in the exhaust gas surpassed the state standard by 20 times. Last year, the company used 6 million yuan from its retention funds to transform the 4 35-ton boilers from using coal powder to using coal gas. As a result, through this project alone, the company is able to save 128,000 tons of coal annually or 3.06 million yuan. The density of the dust contained in the exhaust gas is up to the state standard.

In addition to the unprecedentedly high enthusiasm of the staff and workers, another important reason for the company's ability to increase income while decreasing production is that this enterprise has also been able to use some of its retention funds to carrying out timely technical transformation. As a result, it has considerably raised economic returns.

Third, the enterprise has its own economic interest and it has implemented the principle of distribution according to labor to improve welfare facilities and tremendously spur the initiative of the broad masses of staff and workers and their sense of responsibility as masters of their own country.

During the 3 years, the Shoudu Iron and Steel Company used 33.78 million yuan of its retention funds (this figure represented 15.4 percent of the total funds retained in 1979, the state invested 8 million yuan) and built housing facilities for staff and workers with a total floor space of 250,000 square meters. Housing facilities belong to the state's fixed assets and in the past the construction of such facilities totally relied on state investment. But during the past 3 years, the company mainly relied on its own efforts to solve housing facilities under the premise that the state's income was increased.

In all, 13.5 million yuan (6.12 percent of the total retained) was used for medical, welfare and relief expenditures. In the past, such expenditure was included in production costs which reduced the profit handed over to the state. Now such expenditure is covered from the enterprise's retention funds.

In the past 3 years, the Shoudu Iron and Steel Company has drawn 28.586 million yuan from award funds and given awards totalling of 22.0129 million yuan. The total amount of these awards was equal to 2.664 percent of the total profits made by the company in the 3 years and to 3.01 percent of the total profits handed over to the state. The amount of awards last year was equal to 2.99 months of average standard wages. This figure was within the limit defined by Beijing Municipality for advanced enterprises. Following the expansion of its autonomy, the company has paid attention to implementing the principle of distribution according to labor, conscientiously carried out ideological and political work and provided awards according to the specific conditions of each laborer and staff member. In particular, through the introduction of the economic responsibility system, the company has set up and perfected the "position economic responsibility system." As a result, the company has closely combined awards with collective production and the achievements of individual labor and mobilized in a big way the initiative of the broad masses of staff and workers as masters of their own country and consequently great changes have taken place in the mental outlook of staff and workers.

Fourth, from expanding autonomy to establishing and perfecting the economic responsibility system to improve the management of the enterprise.

Prior to the expansion of autonomy, the tasks of the enterprise were simply to fulfil state plans. It was neither necessary nor possible for the enterprise to consider the question of management. Following the expansion of autonomy, the state began to carry out economic readjustment and consequently, the demand for steel decreased. It is true that the state plan defined a mandatory target, yet a number of products that were included in the plan could not be distributed. Under this situation, the enterprise could not but pay attention to its business operation, investigate the market situation, find ways of selling its products, improve its service for customers and strengthen inner management to accord with market demand. In 1981, the company was able to sell products that were included in the state plan but which could not be distributed amounting to 16.4 percent of the total production.

Comrades in the Shoudu Iron and Steel Company said with deep feeling that the expansion of autonomy and market regulation are both motivation and pressure because under this situation, the enterprise cannot but improve its management so as to raise economic returns. In the relations between readjustment and reform, the latter must be subject to the former. Reform also represents a way of realizing readjustment. Without reform, enterprises can only wait for readjustment and arrangement by the state to sell their products and under this situation human enterprises increase their income while their production is decreased?

According to our view, the experiences of the Shoudu Iron and Steel Company show that system reform is a way of raising economic returns and improving the development of our economy. These experiences also show that since

the 3d plenary session of the 11th CPC central committee, the orientation of the reform has been correct, the achievements are tremendous and the main trend is healthy.

(II) In Furthering Reform It Is Imperative to Persist in Socialist Planned Economy and Display the Auxiliary Role of Market Regulation

How to further carry out the reform? Viewed from the experiences of the Shoudu Iron and Steel Company, it is imperative in furthering the reform to persist in the socialist planned economy and to constantly reform the planned management system.

It is necessary to strengthen planned management. But to do so does not mean to rely on mandatory planning, nor does it mean to rigidly control enterprises. Planned management includes the features of the two aspects of planning and control. First of all, it is demanded that the planning departments must do a good job in making predictions and working out a complete plan that can reflect social demand more accurately. In order to realize the planned goal, the state must control production and circulation. State control must include direct control and indirect control. The commanding part in the planning is the part that is under the state's direct control. Different goods have a different proportion of direction control. Comrades in the Shoudu Iron and Steel Company told that the proportion in the transfer of iron and steel under direct control should be around 80 to 85 percent while the remaining 15 to 20 percent should be at the disposal of enterprises themselves so that enterprise can readjust the structure of their products in time and meet market demand, including the demand in rural areas.

In carrying out the economic responsibility system that combines responsibility, autonomy and interest, enterprises must put in the first place their responsibility for the state (including completing the tasks of state allocation, and remission of profit and tax to the state). But on the other hand, the organizations representing the state and that have the autonomy must also be responsible for enterprises. In the past, there were many problems in the management of state plans one of which was that such organizations had autonomy but did not have responsibility. Comrades in the Shoudu Iron and Steel Company said that in the past, the planning itself had contradictions in 12 links: between production and finance, between production and supply, between assigning production and transfer, between supply and transportation, between sales and transportation, technical transformation measures and material equipment, between the current year and medium and long term, between the tasks of central government and the tasks of localities, between the results of business operation and the amount of distribution, between the arrangement of planning and display of advantages, between production and labor force and between production and exports. There were too many organizations in the management of the planned goal. There was not enough comprehensive balance, conditions were not guaranteed and enterprises were responsible for solving contradictions themselves. Such mandatory planning was planning with power but

without responsibility. For example, a steel rolling plant in the Shoudu Iron and Steel Company has an annual capacity of 400,000 tons but the task assigned to this plant by the state was only 280,000 tons; this plant consumed 50 kilograms of oil to produce 1 ton of products but the state only supplied 3,500 tons oil. Thus according to the plan, the plant had to suspend production when the oil was used up; but the company could not stop production, therefore it had to find oil somewhere else, even at a price as high as 600 yuan per ton. The higher departments concerned did not care about this problem.

The of planned management must solve at least four problems.

First, the planning must be comprehensively balanced, it must be passed down unifiedly by one department while the enterprises must be responsible for one department only.

Second, the tasks of the plan must be divided into two aspects that are respectively put under direct control and indirect control. Enterprises must guarantee to fulfil the tasks for production that are under direct control on time, with quality and quantity up to requirement; enterprises are in a position to float within the limit defined by the state the prices of the part of the products that are under indirect control.

Third, on behalf of the state, the goods and materials or commercial departments give enterprises orders for the part of the products under the state's direct control through contracts, with the responsibility, autonomy and interest stipulated for both sides and both sides have to observe the contracts.

Fourth, efforts must be made to supply the products under the state's direct control on the basis of regions and departments. Under the conditions defined by the state, long-term contracts must be signed with regard to the production of such goods and these contracts must remain unchanged for several years so as to minimize the work of making comprehensive balance and enable enterprises to stabilize their production and management.

(III) In Furthering Reform It Is Necessary to Find a Method of Rationally Distributing the Interests of the State, Enterprises and Individual Staff and Workers

The nature of the distribution of the interests of the state, enterprises and individual staff and workers is the distribution of net output value that is created by laborers. Under the capitalist system, part of the net output value is retained for staff and workers as the value of labor force (V) while the other part is possessed by the bourgeoisie as surplus value (M). Under the socialist system, all net output value belongs to the laboring people. But this output value must first be distributed between the state and the enterprises and respectively redistributed by both sides.

Net output value corresponds to national revenue. The state controls the distribution of national revenue according to planning and first of all it controls the proportionate relations between accumulation and consumption. The state may, according to plan define the proportion for the distribution of the net output value of different trades. Part of the net output value is handed over to the state in the form of tax while another part is retained for enterprises. It may also define the proportion of the net output value for the individual consumption of staff and workers (wages, awards and welfare).

This rational distribution system is based on price rationality and therefore it cannot be realized at the present stage. At present, we can only use different forms in distributing profits and make proper improvement.

Comrades in the Shoudu Iron and Steel Company hold that for their company, which has a certain management foundation and great potential, the introduction of total retention would not have a tremendously encouraging role. They suggest that it would be better for their company to introduce the method of assigning production quotas with increasing volume annually so as to guarantee that the state income will gradually and stably increase every year while the enterprise itself will have a definite goal. In this respect, they made the following proposals:

(1) With the base figure for the goal of the profits made through assigning production quotas in 1981 as the basis, the goal can be increased by less than 10 percent annually and this situation must remain unchanged for several years. For their company, they suggest increases of 5 percent per year and 10 years later, that is in 1991, the profits handed over to the state should be 439.8 million yuan, 163 percent of the 1981 figure. In order to guarantee that the profits handed over to the state will constantly increase while the retention profits of the enterprise will grow correspondingly, the profits of the enterprise must also grow by 5 percent. If the growth is less than 5 percent, the growth of profits retained by the enterprise will eventually decrease because the enterprise has to guarantee the growth of the profits that are handed over to the state. If the growth is higher than 5 percent, enterprise retention will have grown even more because the growth of the profits handed over to the state remains unchanged. The benefit in doing this is not only to guarantee that the state's financial income will grow stably but also to encourage the enterprise to increase the growth of profits and this situation is in the interest of mobilizing the initiative of the enterprise.

(2) Proceed from the specific conditions of the enterprise to define the proportionate use of profits retained by the enterprise. Comrades in the Shoudu Iron and Steel Company suggested using 60 percent for technical transformation and developing production; 20 percent for collective welfare and mainly for building houses for staff and workers, and the other 20 percent for awards and daily welfare expenditures. It is also worth considering linking awards with the guaranteed growth of the profits that are

handed over to the state. They suggest that if the growth of the profits handed over to the state is less than 5 percent, the level of the awards for staff and workers must remain unchanged; if the company fails even to reach the base figure, the award must be stopped. If the growth reaches or surpasses 5 percent, then each time it increases 2 percent, the award must be increased by 0.1 months of standard wages. According to this calculation, if the company is able to realize a growth of 5 percent in the profits for the state, the award will be increased by 0.25 months which means a per capita average monthly income in this instance of only 1.104 yuan. Although the income is small, it will encourage the masses of staff and workers to spare no efforts to increase income and decrease expenditures and to guarantee that the profits handed over to the state will grow.

(3) In implementing the principle of distribution according to labor within an enterprise, we cannot mainly depend on awards; what is more important is that such distribution must be showed in wages. Enterprises must be allowed to use the retention award funds to readjust the wages of part of the staff and workers every year as a measure of implementing an internal wage system. This method includes strict examination of staff and workers so that they will be "promoted" by the enterprises on condition that they really reach a higher grade in technical standard and at the same time fulfil the position responsibility system; if they fail to fulfil their tasks in the next year, their promotion will be cancelled; as for those who are transferred to other units, the newly added part of their wages will be cancelled in their new posts; those who are able to meet technical and production requirements for 3 successive years will have their grading defined and the increased part of their wages will be covered by wage funds, when the promoted positions are unifiedly handled by the state, the scale of the promotion is readjusted again.

Thus the internal wage system of using award funds is more effective in mobilizing the initiative of staff and workers than solely relying on awards and this method is also in the interest of forming the position wage system that accords with the principle of distribution according to labor. According to our view, under the situation in which it is temporarily difficult to reform the wage system comprehensively, this method proposed by comrades from the Shoudu Iron and Steel Company is practicable.

With regard to the figures of the above-mentioned proposals, they still need further prediction. But the measures mentioned are in the interest of guaranteeing the state's financial revenue and mobilizing the initiative of enterprises and their staff and workers. We suggest that the proposals be experimented with in the Shoudu Iron and Steel Company and a few other enterprises so as to prove through practice whether they are feasible.

(IV) Some Suggestions About Furthering the Experiment on System Reform

System reform is an inevitable big change in the relations of production and therefore we must daringly but stably probe into this question both

in theory and practice. In the process of reform, it is necessary to work out and constantly perfect the planning of the reform and at the same time it is also necessary, through experiments in selected units, to test and appraise the planning. Together with comrades in the Shoudu Iron and Steel Company, we have the following common views regarding further carrying out the experiment.

(1) In order to probe new methods and test planning reform, the experiment must be carried out in a few "points"; but if the experiment involves many units, it becomes a "broad" experiment and not the experiment in a few selected "points." If the experiment is carried out in a few selected units, the whole situation will not be affected when some problems occur during the experiment and at the same time we will also be able to accumulate experience and draw lessons.

(2) Since the experiment is carried out in a few selected "points," we can resort to different plans so as to make comparison, overcome shortcomings and display advantages through summing up experience, gradually form better plans which can later be experimented with on a wider scale and when such plans have been proven effective in practice, they can be popularized. Overall planning is needed for overall reform but this planning may initially be just planning in principle, without rigidly defined concrete methods. Under the guidance of planning in principle, it is permitted to define different concrete plans for experiments.

(3) One of the outstanding problems in the current system reform is that the contents of the reform are not complete and in particular we still do not have a complete method as to how to reform macroeconomic management. Therefore it is necessary to select some cities for comprehensive experiments. But at the same time, it is also necessary to select some enterprises of different types, with a fairly good management foundation and fairly good achievements gained in experiments for further carrying out the experiments on some new aspects of reform so as to acquire new experiences.

Through the investigations of the Shoudu Iron and Steel Company, we have a deeper understanding of the necessity and importance of big enterprises carrying out reform. Big enterprises represent the backbone of our socialist industry and they have a vital role in the national economy. Therefore to mobilize the initiative of big enterprises and activate their economy are very important in guaranteeing the stability of the state's financial revenue and in stably promoting the development of the national economy. Some comrades hold that since big enterprises have a fairly high level of productivity and funds, of the various factors of productivity, the material factor plays a guiding role while the human factor has been put into the second position. Consequently, they hold that it is not necessary to expand the decisionmaking power of such enterprises. This view is apparently wrong. No matter what the size of the enterprise or what the level of technology, the human factor always plays the guiding role in

production. Large-scale enterprises with a high technical level have more scope for activity and greater potential. To allow enterprises to have the necessary autonomy and consequently to enable them to have greater vitality will play a greater role in raising the efficiency of the national economy.

Some other comrades hold that since big enterprises have a great influence on the national economy and people's life, it is imperative for the state to strengthen the management over such enterprises and therefore such enterprises must have less autonomy. This view is also incorrect. Of course, it is necessary to strengthen management but that does not mean rigidly controlling such enterprises, nor does it mean that the bigger the enterprise, the more rigid should be the control. In reforming the system, we must be able to "manage but not to stifle and to enliven but not to create chaos" and this principle is applicable to both big and small enterprises. Generally speaking, big enterprises are more complete organizationally, they have a better management foundation and cadres with a higher level of understanding with regard to forcefully implementing policies and fulfilling plans. Therefore even if the autonomy of these enterprises is expanded, no serious chaos will ensure. Under the situation in which policies are not concrete and the legal system is incomplete, it is none other than the numerous small enterprises that can easily cause chaos when they are enlivened.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' DISCUSSES TECHNICAL STANDARDS

HK260721 Beijing JINGJI GUANLI in Chinese No. 7, 15 Aug 82 pp 57-60

[Article by the Shanghai Yuejin electrical machinery factory: "Grasp International Technical Standards to Improve the Quality of Export Products"]

[Text] Editor's note: To organize production according to international technical standards is an important measure for strengthening the competitiveness of our export products and enabling us to put more products onto international markets. It is also an important way of improving the technical level of our industrial products and raising economic efficiency in an overall way. At present, the technical standards of a number of our products are outdated and backward and are consequently in need of urgent improvement. Some enterprises that have met the existing state standards are not satisfied with such achievements and have therefore defined enterprise standards that are higher than the state standards and have consequently achieved better economic efficiency. In the process of carrying out overall readjustment, all industrial enterprises must follow the example of the Shanghai Yuejin electrical machinery factory in fostering high aspirations and great ideals, placing strict demands on themselves and doing a good job in various capital constructions in their efforts to improve the quality of their products, their technical levels and to raise economic efficiency. [End editor's note]

Standardization work plays a very important role in stepping up the technical development of the machine building industry, while technical standards constitute an important element in the import of technology. One of the important tasks of the electrical machinery trade in the current period of national economic readjustment is to turn from solely serving the home market to becoming active in opening up the international market. For this purpose, it is imperative to produce advanced products. A further indispensable condition in this respect is that our exports must accord with "international standards" and "international general standards." In the autumn of 1978, our factory imported and began to use international standards. By combining industry with trade and technology with trade, we produced small QU series 3-phase asynchronous motors to 28 specifications with H80-132 central height for the BEC Company of West Germany from samples of the products sent to us and the brand defined by the company. The samples were tested and appraised and we began mass production in 1980.

So far we have made about 60,000 such generators with a total capacity of 160,000 kW and we have made U.S.\$3.44 million in foreign exchange. After more than 2 years of production, we are deeply aware of the importance of standards work.

I. Export Products Must Accord with International Standards and International General Standards

The key question in exporting products is quality. The quality of the products that are marketed internationally must accord with international standards. Therefore, whether or not to use international standards is an important matter which will decide whether our products are exportable. Our factory used mainly to produce J02 series and J03 series motors. The size of our packaging and the grade of capacity used by our factory did not accord with DIN 42673 international general standards. Consequently, the exports of such products were seriously limited and they were once graded into the 4th category of commodities. In 1978, the BBC Company sent its staff to our factory for talks. During the talks, our factory introduced 2 samples of the motors that accorded with technical requirements. In addition, the size of packaging was also in line with international general standards. This situation consequently formed a foundation for the factory to produce QU series motors with the samples provided and the brand defined by the company. During talks, we used also to stick to the state standards for the products on the whole. But state standards were equivalent to those of the 1950's and they were hardly interchangeable with international general standards. The standards used by the BBC company in producing the 3-phase asynchronous motors include 13 parts with IEC and ISO international standards while more than 55 parts are using DIN and VDE international general standards. The requirements of these standards are comparatively high and most of these standards are advanced and rational. For example, in according with "allowable fixed flanges used in electrical machinery" and "allowable positional difference of axial extending end" of the DIN 42955 standards, the processing of these products has to be upgraded from grade three to grade two. Such requirements are no doubt higher and make more difficulties for the manufacturer, but the products under such requirements have been able to meet the needs of users. In carrying out production according to samples and with defined brands, we have used international standards. Consequently, our design level for QU series products has been considerably improved, while the motors produced according to such standards are of a higher quality. To win the confidence of users through quality serves the interest of opening up more sales channels.

II. To Improve the Quality of Products, It Is Imperative to be Familiar with and to Strictly follow Standards

Compared with general international standards, the standards used in our electric machinery trade are not only lagging behind in technical level but also have a weaker base and are incomplete. Imported standards are

often unfamiliar in our country and we have therefore never used them. Therefore, it is very important to become familiar with such standards and use them in the manufacturing and testing of our products. In order to study, digest and use such standards in the process of designing, testing and producing products, we have mainly carried out the following work:

1. Collect Data to Become Familiar with Standards

Experts from West Germany sent us much technical data when we were discussing technical standards. The documents about the standards for processing electrical and other machinery alone constituted almost 100 copies and there were also standards documents for other fields. We have translated these documents in time and analyzed and learnt from them.

2. Study Samples and Predict Levels

In order to understand our own situation and the situation of other companies abroad, we have comprehensively tested the five samples that were provided by foreign businessmen. Consequently, by combining theory with practice, we have deepened our understanding of defining and using standards.

3. Find Differences and Define Standards

In the past, in checking the quality of the products made in our country, it was decided that the products must reach the standards of the tested items but the items themselves were passed and permitted to leave the factory even if they had some defects. Yet according to international standards, all products must accordingly be checked and tested. Even "common differences" have to be checked. International standards place emphasis on basic standards and they are comparatively complete, with requirements, methods, testing and testing instruments included in the contents. These standards not only include the requirements of electricity and machinery but also include the interests of the users and the market competition. When foreign businessmen are discussing technical matters, they always proceed from the point of international standards. We, however, traditionally only pay attention to product standards and these standards are not in a position to represent the quality requirement of the products and have therefore affected the implementation of international standards and the improvement of products. Consequently we have become aware of the differences between the two standards and eventually we changed the contents of product standards and the method of defining standards. All the requirements of the standards are respectively included in blueprints and technical materials for implementation.

4. The Two Sides Check and Define Standards

We have twice discussed standards with foreign businessmen. In the first discussion, the two sides sent engineers and technicians to discuss the parts of IEC, DIN and VDE standard that were to be used and this work

lasted for more than 15 days. This discussion also referred to the technical conditions for the export of the motors made by our country and the QU quality standards that are defined by our country for motors. The technical contents of these standards that were agreed by the two sides were tested and appraised. The second series of discussions lasted for nearly 1 month. Through testing typical samples, the situation in the implementation of standards and blueprints quality was also checked and tested. In addition, the 18 items of the standards and guides for quality checking with regard to 163 items of raw materials, parts and products quality control about which the two sides had different views, were minutely discussed until the two sides agreed. All the agreements were signed by the two sides on the foundation of the implementation of standards.

5. Overcome Difficulties and Follow Standards Strictly

The defining of quality standards is only the first step. The only way to guarantee quality is to strictly follow the standards. The standards must be tested seriously and conscientiously while in implementing them it is imperative to change the traditional methods. Foreign businessmen have very high requirements for the outward appearance of the motors. No rust spots and spoiled paint on the footings of the motors are allowed. Surface painting must be even and beautiful, without any bad smell. On the surface lacquer film was also subject to testing: a 2 x 2 inch small square was formed on the surface through cutting with a special tool, the square was then pulled out by a plaster without pulling out the whole film. To accord with this requirement, our factory could not but change the old way of production and follow the standards conscientiously and strictly.

III. In Implementing the Standards It Is Imperative to Set Up Perfect Testing Instruments Through Experimentation and Study

In order to test whether the products are up to standard it is imperative to have complete testing methods. At that time, however, we did not have complete methods for testing the conductivity of rotor aluminum conducting rods, the thickness of the plating of fixed parts, electric conducting distance between electrified parts, distance between holes in assembling end cover, shrink holes of squirrel-cage rotors, the installing of wiring plates and the electric leakage distance between various parts. In order to guarantee quality and with help from scientific research units, our factory has studied and made some measuring instruments. At the same time, we also imported some items such as simple weaving measuring instruments, instruments for testing the thickness of lacquer film, conductivity of aluminum ingots, meters for testing brightness and cleanliness and lever of moment of force and some other measuring instruments. With these instruments, the factory has been able to strengthen control over product quality.

In the process of implementing standards, we have gradually perfected our testing equipment. As a result, we have strengthened the technical

foundation and the factory consequently has improved technical level and guaranteed that the standards will be strictly followed.

IV. Step Up Enterprise Foundation Work in Order to Implement International Standards

Product quality is in fact a comprehensive reflection of the varied works of an enterprise. Therefore it is only when we are able to strengthen basic enterprise work that we can smoothly implement international standards.

In order to improve basic enterprise work, we have carried out the following steps.

1. Ideological and political work. The purpose of this work is to help staff and workers fully understand the importance of creating foreign exchange for the realization of the modernization program of our country and to understand that to follow international standards in production is an important way of making things foreign serve our country and improve our levels. At the same time, we separate the principle of making things foreign serving our country from "worshipping and having blind faith in things foreign" to foster the thinking of strictly following high standards and putting quality in the first place.

2. Step up basic management in the process of production management so as to carry out production in a balanced way. In carrying out work, we stressed the importance of working production planning under the "three presences" (the presence of blueprints and materials, workers and equipment and raw materials). Working groups have three quotas of workers, machines and production tasks. Operators and groups must meet the requirement of the three aspects of working hours, quality and quantity.

In technical management, production must be carried out strictly according to standards, blueprints and technology while groups are also responsible for checking the whole process of production from checking parts to checking the completion of work. Operators have to check and grade by themselves their own work and mark the cards for their position responsibility system.

3. According to the 163 items of rules and regulations signed with foreign businessmen, we resorted to the method of overall quality management and carried out control in the process of production. Quality control is carried out right from when raw materials are transported in to the factory to parts processing and the transporting of the products from the factory. In this respect, we have taken the following measures:

1. We set up 15 control points in the key production points throughout the factory to attain the following four goals: 1) the index of engineering capacity is bigger than 1.1; 2) control diagrams are up to standard; 3) all staff and workers are able to check and grade their own works and mark the cards with regard to their position responsibility system; 4) the flow of information is smooth.

2. In addition to the control of parts and finished products, the products are also checked when they are put into warehouses. The method used in this work is the AQL (acceptable quality level) method that is defined by the DIN 40080 testing standards for samples. That is, in addition to spot checking certain quantities of products for overall testing of electricity and the outward form of products, five other products are dismantled so as to check the parts according to blueprints.

3. Control the varied flow of information regarding quality standards and assign staff for specialization in carrying out statistical work and handling work.

4. Take technical measures to solve certain problems.

1) Organize civilized production, readjust technical operation line and stabilize the quality of products.

2) In order to form and perfect testing methods, import some testing instruments.

3) In order to guarantee size precision and quality of outward appearance, design and build various position tools.

4) Improve design and technology so as to meet standards requirements.

5. Step Up Staff Training to Meet the Needs of Production

In order to implement product quality standards, it is imperative to enable cadres, technicians, management staff and operators to understand standards and testing guidance and rules. Therefore, with regard to the 163 items of testing guides and rules and standard materials that are signed between our factory and the BBC Company, we stepped up educational measures and trained all the staff and workers of the factory according to their own conditions. In this work, we grasped the following three links:

1. Educating one level after another. The education was carried out according to the grading of staff and workers with emphasis on primary subjects. An overall education was given to middle grade cadres; minute education was given to technicians; repeated education for testing staff and production cadres while primary points education was given to production workers according to their different posts. These measures were aimed at enabling each staff member to understand technical requirements and test rules and regulations and each operator to understand the quality standards of the technical process under his responsibility and test rules and regulations.

2. Specialized training. On the basis of training the whole staff and workers, we proceeded from the specific conditions of our factory and gave "qualified certificates" to staff who, through study, were able to acquaint

themselves with the quality requirements of product processing, able to draw control blueprints, analyze control blueprints, understand quantum knowledge, correctly use imported measuring instruments, do a good job in quality control and who passed examination after training. Those who failed to reach these requirements on many occasions would be transferred from their posts.

3. Emphasis training. Emphasis training was given to the workers who were responsible for key work in production. These workers also studied TQC knowledge so as to improve the level of their technical operation.

Experiences gained by our factory over the past 2 years in implementing international standards and strengthening the work of standardization shows that through importing international standards, we have not only been able to launch our products onto the international market and gain foreign exchange but, what is more important, also to improve our technical level in the process of using the standards. In August, 1981, the BBC Company held that the quality of QU electric machinery made by our factory had remained stable and consequently the number of machines used for spot checking and testing has decreased. In June, 1981, Mr. Manheim Eden, director of the BBC Company, made the following appraisal of the QU electrical machinery when he said: "The electrical machine made by Yuejin electrical machinery factory has reached the level of those made by the BBC, AEG and Seimens companies. These products have reached world and West European levels."

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON CHILDREN'S CONSUMER GOODS

HK150901 Beijing JINGJI GUANLI in Chinese No. 8, 15 Aug 82 pp 15-18

[Article by Gong Jinglong [1362 2529 7127]: "Further Develop the Production of Children's Consumer Goods"]

[Text] The first "National Exhibitional Sale of Children's Goods" which lasted 20 days has come to a victorious close in Beijing. The organizational scale of this exhibitional sale was so large as to be unprecedented since the founding of China. The fields it touched, the products it collected together and the varieties were also totally new. It has played an active role in widening horizons, exchanging experiences, stimulating spirits and giving impetus to the whole situation. We should take this exhibitional sale as the new starting point for further improving the production of children's consumer goods. We should produce more less expensive and better goods with the support of the whole society and the conscientious efforts of the staff and workers of related enterprises, so as to make a new contribution to the healthy growth of children and juveniles all over the country. Now, let me make some immature comments on the problems existing in the development of the production of children's consumer goods.

I. Have a Full Understanding of the Strategic Significance of Devoting Major Efforts to Developing the Production of Children's Consumer Goods.

Since the call issued last February by the central committee that the whole party and the whole society should pay attention to the healthy growth of children and juveniles, the central committee have set up in succession the national harmonious committee for children's and juveniles' work and the national committee of children's daily necessities. Various related departments and quite a few provinces, municipalities and autonomous regions have also established in succession temporary organizations and professional committees to develop the production of children's consumer goods. They have done a great amount of organization and mobilization work, and have achieved satisfactory results. However, the development of matters is invariably unbalanced. There are still some comrades in society who till now have had confused ideas which stand in the way of the development of production. Among these ideas are several remarks which deserve our full attention.

1. It is thought that the quantity of daily consumer goods provided in the markets of our country is still insufficient. Laying too much stress on the development of children's consumer goods, it is said, will mean making a fuss over a trivial matter. We think that this way of looking at the matter is inappropriate.

It is true that the supply of consumer goods in our country's markets today is still a certain distance removed from the people's demand. Because of this, the central committee has decided to continue the readjustment of the national economy. It has repeatedly emphasized that the production of consumer goods should be raised. The central committee pays special attention to developing the production of children's consumer goods, while at the same time laying the stress on developing common consumer goods. I think there is some far more significant strategic importance in this, other than the fact that the supply of children's consumer goods is far worse than the supply of common consumer goods.

Nowadays, many countries in the world have started research on the problem of exploring intelligence and improving national quality. In order to improve more effectively the health quality and the scientific and cultural level of the whole nation, one must begin with enforcing the work of children and juveniles especially that of babies and children below six. Since children and juveniles are living in a period when they will grow in body and mind, therefore this nation can hope for prosperity only by giving them the necessary nourishment for body growth soon after they are born, providing them with a good education, laying a good foundation for them to take up their post in society and to display their ability. To be concerned about the daily necessities of children and juveniles means to be concerned about the future of our nation, country and socialism. We should, within our power, have them well-fed, well-dressed and provide them with instructive playthings and give them the necessary cultural and sports instruments for their studies. While making arrangements for the production of consumer goods, to give consideration to the demand of the mass of juveniles and children has become a current important problem which needs to be solved urgently.

2. It is thought that the national consumer level is still very low. It is inappropriate to forward this problem now. It is true that compared with some economically developed countries, the consumer level of the people of our country is surely very low, but this situation will not last and profound changes have taken place.

1. The consumption of children and that of adults do not increase proportionally and equally. All the labouring people of our country have the good tradition of being industrious and thrifty in managing a household and giving first thoughts to their children's needs. Once they have enough food to eat and enough clothes to wear and their living conditions have improved, they will try every means to give their children better food to eat, and deck their children with tidy and pretty clothes. In the

past two years, the income of the people of our country has increased somewhat and the voice calling for the increase of the production of children's consumer goods is getting stronger. This reflects the fact that the consumer habit is working.

2. Because of the expanding of family employment, family life is developing in the direction of socialization. To be specific, it is concerned with the problem of children's food and clothing. Self-supplied consumption keeps decreasing while commercial consumption keeps increasing. Let's take a look at the cities. Mothers who wean their babies at birth constitute around 50 percent of mothers, and basically, mothers have stopped making clothes and shoes for their children. In the rural areas, about 30 percent of babies lack milk. In areas where income is relatively higher, women have come to realize that economically speaking it is wiser to take part in the productive labour of agricultural by-products than to make clothes and shoes by themselves. In that case, there is an obvious increase in the demand for children's clothing, caps, shoes and baby food by the people in the rural and urban areas.

3. With the implementation of the policy of one child, families become smaller and burdens lessen. Young parents are all willing to spend money on their children. Not only do the markets have to provide for the demand for children's food and clothing, but the demand for children's toys and other children's articles is getting more urgent. We should keep our eyes open to the trend of development and cause social production to catch up with the need of this trend of development.

3. It is thought that developing the production of children's consumer goods is the business of light industry departments and has nothing to do with other departments. Of course, to develop the production of children's consumer goods, the light industry departments have an unshirkable responsibility. Different levels of the light industry departments should make detailed plans according to market demand, strengthen leadership, adopt measures and achieve results. However, national economy is an organic whole, while light industry is but a production processing department. Under the present management system, production will not develop without the cooperation and support of all departments.

Though children's consumer goods are all "tiny articles" yet they are not that easy to produce compared with big products of the same kind. Their common characteristics are: they are labor consuming, material has to be fine, requirements are high and above all, they need to be of cheap price and good quality. Many children's toys are a comprehensive reflection of a nation's modern scientific technology for they need to use new techniques and new materials on a wide scale. Besides, there are highly difficult technical problems to deal with. Not only must there be children's clothing, shoes and caps which are exquisitely made, but also there must be all kinds of noodles which are bright in color, cheap in price and popular in demand. The production of milk powder substitutes needs a

large amount of soybeans and milk powder. All these are materials which the state is short of. And since babies' digestive powers and resistance powers against diseases are weaker than those of adults, the hygiene requirements for milk powder substitutes will be much higher than for ordinary goods. At present, the reason that most of the enterprises manufacturing children's consumer goods lose money is because departments concerned have neglected the characteristics of this part of production, apart from reasons of management and administration.

To develop the production of children's consumer goods demands the concern of the whole party and the whole society, it needs the mobilization of the initiative and enthusiasm of various parties, especially comrades who are in charge of money, raw materials and overall balance at various levels. Once everyone reaches unanimity of opinion and keeps in step it will not be difficult to do the job well.

II. Firmly Establish the Thinking of Serving the Children and Juveniles of the Whole Country

Our country is vast in territory. The development of the economy is not balanced, the differences between rural and urban areas remain great and ours is a multi-nationality inhabited socialist country. The three hundred million children living in the vast territory of our country's rural and urban areas have different consumer levels, consumer habits and consumer demands. Therefore, the development of children's consumer goods cannot just put the stress on large or medium-size cities and manufacture high-grade and middle-grade products. What is more, we cannot just be satisfied with loudly colored products or with the manufacture of products of unhealthy thinking, which will ruin our descendants. Most of the consumers need economical, practical, cheap and high-quality products. While developing children's consumer goods, we must not forget to combine high-grade products with middle-grade ones, nor shall we forget such a glorious task as leading children and juveniles to grow healthily as a new generation of socialist people. Therefore, the various levels of light industry departments and all the productive enterprises should establish the thinking of serving heart and soul the children and juveniles of the whole country.

1. Plan production distribution well. Unreasonable distribution is a big problem existing in the present production of children's consumer goods. Take the toys business for example. The annual total output for 1980 was two hundred million and eight yuan, distributed over twenty-two provinces, municipalities and autonomous regions. But output was mostly concentrated in provinces and municipalities like Shanghai, Beijing, Jiangsu, Guangdong, Hubei and Zhejiang. Beijing and Shanghai alone took up 85 percent of the total production. Other provinces and municipalities received few products, especially the vast areas of the southwest and northwest. Apart from Sichuan and Guizhou which produce little, other provinces and municipalities produce nothing at all, whereas toys manufactured in Beijing and

Shanghai are mainly for export, so only a limited amount can be spared for home consumption. As a result, big cities have a small supply while those inland provinces, municipalities and autonomous regions are not even able to get supplies. Toys are either low-grade or high-grade. Mechanical, electronic and remote control toys are intricate in construction and need a relatively high base of productive technology. Low-grade and middle-grade toys, however, do not necessarily demand a really high base of productive technology. Therefore, there should be an appropriate distribution of work and a reasonable arrangement between the different provinces, municipalities and autonomous regions in the production of toys. From now on, cities such as Beijing, Shanghai and Guangzhou should lay the emphasis on producing high-grade toys for export, leaving a part of them for home sale in big and medium-size cities. Other cities should, in accordance with the principle of doing what one is capable of and as an active organization, vigorously develop the production of middle-grade and low-grade home market toys for markets in rural areas and small and medium-size cities. Four fifths of the children in our country are living in rural areas. As the living standard of the peasants is being raised, country children's demands for middle-grade and low-grade toys has become more pressing. Special treatment should be given to areas that are mainly inhabited by minority nationalities. In order to have production meet the need of consumer areas, we should organize county industry to produce low-grade toys. Production distribution of children's clothing, shoes and caps and the distribution of toys are more or less the same. However, there are the problems of adjusting distribution and gradually developing inland areas and counties. As for the children's food industry, stress should be put on improving the milk powder bases in Heilongjiang and Inner Mongolia and together with the health departments we should study and produce therapeutic food to cure children of rickets and anemia and make prescriptions for weaning food. Emphasis should be put on developing such things, offering areas with high incidences of disease low prices. At the same time, we should mobilize every province to learn from Guangxi Province, Shangsì County's experience of transforming a small nitrogenous factory to the production of lysine and making use of different kinds of starch to produce more nutritious additives for children, so as to solve the problem of child malnutrition on the spot.

2. Issue plans for different varieties and practise production by special factories. The production of children's consumer goods is not an independent department. With the exception of children's toys; children's clothing, children's shoes and caps, children's food and children's recreational and sports instruments are all small products subordinate to big products. Apart from milk powder substitutes, these products were not listed in statistic catalogues, neither were they listed in the state plan or in the department-run plans. Even in the plans of quite a few provinces, municipalities and regions, they have not been listed separately. Therefore, under the present planning and management system, it is very difficult to master the overall situation of the production of children's consumer goods.

In particular, profits from children's clothing, shoes, caps and children's food only one seventh to one fifth of the profits from big products of the same kind so enterprises do not have much enthusiasm for this production. If the issuing of the varied plan does not go in hand with the issuing of the production plan, there is the danger that nothing will come of the whole plan. For this reason, it is highly necessary to put children's clothing, children's shoes and children's food under the lists of related big products, and have them counted and planned separately. All the places and enterprises that have suitable conditions should practise production by special factories or special workshops. This will avoid the use of the big products with their high profits to squeeze the production of children's consumer goods that are of low profit and will guarantee that production will have plans and continuously develop according to proportion.

3. Uphold the principle of the unity of internal quality and external quality. The quality of products can be divided into internal and external quality. External quality is mainly used to attract customers while only the internal quality can guarantee consumers the practical and economical value. Take children's consumer goods for example. Whether the interior quality is high or low largely depends on the degree of processing, the level of hygiene and the durability of the products. For the present consumer level of our country, productive units should put first importance on improving the internal quality of products. When internal quality is able to win the confidence of customers, we can adorn and decorate the products. If in production we do not pay attention to the internal quality of products and only work hard on the packaging of products, it will not only increase the cost of products but will give people the impression of being flashy and without substance and looking impressive but lacking real worth. This goes against the principle of socialist management. Every productive enterprise should mobilize the masses to carry out the discussion of "if I were the consumer of these products," check strictly the quality of working procedures, combine the quality of products with award and punishment and reach real unity of internal and external quality.

4. Complete the specifications of varieties. The incomplete specification of varieties is a great problem existing in the production of light industry, and the production of children's clothing, shoes and caps most conspicuously. At present, children's clothing, shoes and caps produced mostly suit only the kindergarten children, and little consideration has even been given to the clothing of babies, pupils and students of secondary schools. Sometimes, boys of eleven and twelve will not be able to get an ordinary pair of shoes, or an ordinary pair of trousers, or an ordinary jacket, even after a thorough search of Beijing Municipality. You can imagine how difficult it will be at other places if it is that difficult in Beijing. I suggest that clothing co-operations of various places should make serious investigations and classify the consumers in their area and then decide how much clothing, shoes and caps should be produced for various ages and various sizes. You can always adjust the production plans according to the sale conditions each month. Clothing, shoes and caps are highly seasonal.

One can organize production in a planned way and proportionally according to seasonal demand. We should go all out to get the specifications of varieties complete and try to enrich the variety so that children and juveniles of different ages can get whatever they want to buy whenever they make a purchase.

5. Firmly grasp administrative management and try to keep the products cheap and quality good. For general consumer goods, we should keep the products cheap and quality good and try to cater for popular demand. Production of children's consumer goods should develop in this direction.

At present the profit rate for children's consumer goods is rather low, so it will not be easy to make the products really cheap and the quality good, yet surely no such conclusion should be reached as that children's consumer goods do not need to be cheap and of good quality. How to strengthen administrative management, cut down the waste of raw materials, reduce nonproductive expenditure, improve economic effect, and cut down the selling price of products are big problems that need to be solved urgently in the production of children's consumer goods. In these respects, Dalian children's clothing factory and Yantai children's shoes factory have already achieved some satisfactory results. Other enterprises should more often look for reasons for low profits or even reasons for losing money in interior management, and try to improve products as soon as possible.

III. Make Serious Studies of Practical Problems Existing in the Production of Children's Consumer Goods

At present, there are many problems existing in the production of children's consumer goods. Summing them up, the following aspects have direct influence on the development of production. Feasible measures should be taken to find a quick solution with the mutual aid of related parties.

1. On the supply of raw materials. Insufficient supply of raw material is one of the most serious difficulties in the productive enterprises of children's consumer goods. Since this year, related departments have agreed to solve the problem of steel used in producing perambulators according to practical need. This serves as a strong support for the production of toys. Nevertheless, the demand for timber and other first and second grade materials have not yet been met. We hold that children's consumer goods are mostly daily necessities, so their demand for first and second grade materials should be brought into line with the distribution plan for materials differently graded according to the subordinate relationship of enterprises. Quality and quantity should be guaranteed, and supply at a low price as well. No department should squeeze, occupy or pinch material. Some can even make arrangements for special material such as the steel for perambulators. Issue orders with a special note and distribute the raw material directly to the enterprises.

2. On the development of funds. Enterprises producing children's consumer goods mostly have little capital and make small profits. They are not able to get bank loans. This has a great influence on the reformation of techniques and enlarging the scale of production. Since this year, departments of light industry at each level have tried to increase the allocation of funds for technology and measures in the budget, but basic problems have not yet been solved. According to estimations, to construct a baby food factory which has a yearly manufacturing capacity of 1,000 tons will take 17 years to pay back all the basic interest of the loan. Therefore at a time when the state does not have sufficient construction funds, it is highly necessary to give some long-term interest-free loans to enterprises that cannot use bank loans, so as to help them overcome the shortage of productive power.

3. On the price of products. At present, owing to the fact that the ex-factory prices of some children's consumer goods are on the low side, the profit rate at most remains at two to three percent. Some factories even lose money and are therefore forced to manufacture other products. This has badly influenced the enthusiasm of enterprises and staff and workers to develop production. Industry, commercial and financial departments should set up investigation teams to look into this matter and make on-the-spot investigations of the different productive enterprises and then, according to the results of investigation, adopt measures or adjust the prices of products or adjust the profits of industry and commerce, or make proper reduction or remittance of taxes, or encourage the factories to strengthen administrative management. Problems which might influence the development of production should definitely not be put aside.

CSO: 4006/053

ECONOMIC PLANNING

IMPROVEMENT OF ECONOMIC RESULTS STRESSED IN ECONOMIC WORK

Beijing ZHONGGUO CAIMAO BAO in Chinese 21 Sep 82 p 3

[Article by Wang Shaofei [3769 4801 7378] (Fellow of Finance, Trade and Supply Economic Research Institute of the Chinese Academy of Sciences): "Focus All Economic Work on the Attainment of Better Economic Results"]

[Text] "Focus all economic work on the attainment of better economic results." This is an important call issued by Comrade Hu Yaobang in his political report at the 12th National Party Congress.

The core of socialist modernization is to develop socialist economy, and funds are the prerequisite for economic construction. There must be input before there can be output. Under certain conditions, input is in direct proportion to output. We can use various forecasts and estimates to find out the amount of investment required to raise our total industrial and agricultural output value to 2,800 billion yuan by the year 2000. Let us leave out agricultural production and talk about the investment required for industrial production alone. If that of 1980 is to be quadrupled, the total industrial output value by 2000 will be 2,000 billion yuan. If our estimate is based on the amount of funds (that is, the net value of fixed assets plus the circulating funds; same as follows) used for every 100 yuan of the total industrial output value of the country in 1980, we will need 1,700 billion yuan to achieve a total output value of 2,000 billion yuan. In the past 30 years, the total accumulated funds for industrial production is only some 420 billion yuan, and an additional investment of approximately 1,280 billion yuan is necessary. It would be very difficult to raise such a huge sum of money. However, if our estimate is based on the amount of funds used in Shanghai, where the economic results are fairly good, for every 100 yuan of the total output value, we will need only 760 billion yuan to achieve a total output value of 2,000 billion yuan, and an additional investment of a little more than 300 billion yuan will suffice. It is possible for us to raise a little more than 300 billion yuan in 20 years. These two estimates on different bases show that the basic way to solve the problem of insufficient funds is to improve the economic results.

The question now is whether industrial production throughout the country can produce the same economic results as it does in Shanghai, and if so,

when will it be able to do so. It is possible that some, or the majority of enterprises can give this performance. Then the investment required for a total industrial output value of 2,000 billion yuan will be somewhere between 300 million yuan and 1,200 billion yuan. Within this range, better economic results will call for less investment.

To solve the problem of insufficient funds, therefore, we must adopt various effective measures to focuss all economic work on the attainment of better economic results, so that we can produce the most suitable products to meet social needs with minimum consumption, greatly raise labor productivity and continue to raise the profit level.

9411

CSO: 4006/009

SUMMARY OF PROCEEDINGS AT CONFERENCE ON COMMERCIAL RESPONSIBILITY

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 9,
15 Sep 82 pp 57-59, 10

[Article by Theory Branch of Commercial Economic Research Institute of the Ministry of Commerce: "Outline of Discussions on the System of Responsibility for Management in Commerce throughout the Country"]

[Text] I. Meaning of the System of Responsibility for Management in Commerce

Name of System: Generally, five different names were proposed: the "system of responsibility for management in commerce," "system of responsibility for operation and management in commerce," "system of responsibility in the form of contracts in commerce," and "system of responsibility for profit and loss in commerce." The majority of participants favored the "system of responsibility for management in commerce" because it indicates the position of commerce in circulation and its main function in organizing the transactions of commodities. It also shows the difference between this system and the system of responsibility for production in agriculture and the system of economic responsibility in industry. This name has been in use for more than a year, and the broad masses of workers and staff members have accepted and are familiar with it. Changes in the name will cause confusion.

Concept: The majority of participants held that it should firmly adhere to the orientation of socialist business operation under the guidance of state planning; that its purpose is to improve the economic results and the quality of service; and that this is an important system of operation and management for commercial enterprises--a system which combines responsibility, rights and interests. Its special characteristics are: 1) the embodiment of the socialist nature; 2) its similarity with as well as its difference from the systems of responsibility in agriculture and industry; and 3) the clear explanation of its importance in the operation and management of enterprises.

Substance: The vast majority of participants agreed that the combination of responsibility, rights and interests is the basic substance of the system of

responsibility for management. The reason is that in this system, responsibility, rights and interests form a united entity. They are interdependent, and none of them can be missing. Without responsibility, the system will be devoid of any meaning; without rights, the conditions for responsibility will be lacking; and without interests, there will be no incentive. There have been certain systems of responsibility and distribution of interests in the past, but these three components were not closely related to one another. A combination of the three will enable the enterprise to gradually become a relatively independent economic entity which embodies the orientation and goal of economic restructuring.

Certain individuals held that the substance of the system can only be responsibility, and that rights and interests are not included in it. They believed that the system of responsibility for management cannot be considered as the sole and all-embracing system, because it only sets up and clarifies the responsibility, which should be fulfilled and realized, while the questions of rights and interests should be decided by the systems of expansion of decisionmaking power and distribution of benefits.

It was unanimously agreed that responsibility is the core of the system. As to the scope of responsibility, however, there were two different views. One of them was that an enterprise should undertake an overall responsibility. In addition to economic responsibility, there are also political responsibility, work responsibility, job responsibility, management responsibility, social responsibility, legal responsibility, and so forth. The reason for this contention was that the basic system of responsibility for the operation and management of the enterprise includes all the responsibilities in its operation and management, and that the enterprise must undertake this overall responsibility before it can embody the character and special features of socialist commerce. If the enterprise does not undertake this responsibility, the system of management responsibility will go astray. It must not be absolved of certain responsibility only because it is difficult to verify its fulfillment.

The other view was that what the enterprise should undertake is mainly economic responsibility for the reason that the system of management responsibility is in fact the system of economic responsibility in the sphere of circulation. Since politics and economics are united, the enterprise's political responsibility should be given prominence in, and fulfilled through the fulfillment of the economic responsibility. The actual political responsibility which people talk about is sometimes in line with the principle which socialist commercial enterprises must uphold, and not a by-product of the system of management responsibility. Sometimes, political responsibility itself is an economic responsibility, so that as long as the economic responsibility system is properly set up, the enterprise will be able to firmly adhere to the socialist orientation. If the substance is too much and too complex for verification and examination, the system may easily become merely a matter of formality.

There were also two different views on the substance of economic responsibility. One of them was in favor of setting up a comprehensive system of economic responsibility that is compatible with the special characteristics of commerce and capable of these functions: 1) to implement the principles and policies for the all-round fulfillment of state plans; 2) to protect, control and use enterprise property and funds effectively; 3) to expand the scope of business operation, improve the quality of service and strive to meet the requirements of production and people's daily life; 4) to improve the management and business operation, curtail circulating expenses, increase revenues and improve the economic results; and 5) to protect the interests of the state and the consumers. The other view was that just a few main economic targets will be sufficient. Some individuals even held that there is mainly one target, namely, the profit target.

The relationship between rights and responsibility: Both responsibility and rights should be in harmony. The majority of participants held that rights must be based on the responsibility, since the core of the responsibility system is responsibility, and rights must serve responsibility. In principle, rights should be based on responsibility, and should not be excessive, lest the enterprise's power may become blindly expanded.

Some individuals held that responsibility should be based on rights, since rights are not the outcome of the responsibility system, but rather its prerequisite. The extend of the enterprise's rights are determined in advance by the state according to the overall requirement of economic management, and the state gives the enterprise its responsibility according to the rights the enterprise will enjoy. However, this does not preclude their mutual accommodation.

As to the relationship between responsibility and interests, interests are the outcome of the fulfillment of responsibility as well as an economic driving force for such fulfillment. The magnitude of interests is not determined by the weight of responsibility, but rather by the extent of its fulfillment. There must be a link between responsibility and interests. For the enterprises, the interests are based on its responsibility; for the workers and staff members, the remunerations must also be based on the responsibility. Consideration must be given to the interests of all three parties, namely, the state, the enterprise and the individuals.

The origin and special features of the system of management responsibility in commerce. (passage omitted)

II. Basis for the Adoption of the System of Management Responsibility in Commerce

It was unanimously agreed that the objective necessity of the system of management responsibility should be explored according to the requirements of the operation of the economic laws and the development in economic realities; and that this necessity should be confirmed in practice.

1. The majority of people held that this is an objective requirement for socialized mass production. The actual level of management in socialist commerce now is very low, as characterized by the "crudeness," "confusion" and "laxity," and is far from adequate for this objective requirement. Therefore, it is imperative that commercial enterprises must adopt a strict system of management responsibility.

2. This is a requirement for the system of socialist public ownership. The socialist means of production are publicly owned, and the laborers are the masters of the means of production. However, the rights of ownership, use and management are separated. The enterprise and laborers lack the decisionmaking power in the ownership and use of the means of production, as well as the power of control over the result of management; and in the minds of laborers, the means of production beget the illusion of "alienation." Thus some people do not take good care of the means of production or the means of management, and pay no attention to the production and business activities of the enterprise. Through the combination of responsibility, rights and interests, the system of economic responsibility harmonizes the more closely united relationship between the ownership of the means of production by the people on the one hand and the actual ownership, use and control by the enterprise on the other with the result that the fruits from the use of these means of production will be related to the material benefits of the enterprises and the workers and staff members, and the system of socialist public ownership will be further consolidated and developed.

Some people held that the purpose of the system of management responsibility is an overall readjustment and improvement of the socialist relations of production. In addition to a combination of the rights of owning, using and controlling the means of production, and improving and consolidating the system of public ownership, it is also necessary to improve the relations of cooperation among people in production and management and to enhance the sense of responsibility among the workers and staff members so that they will all join in the effort to make the management and operation of the enterprise a success. Responsibility should be related to interests, and efforts should be made to improve the enterprise's economic results, to increase national income along with due increase of direct economic benefits for the enterprise and its workers and staff members through readjusted and improved relations of distribution.

3. Some people pointed out that adoption of the system of management responsibility is for the purpose of implementing the policy "to each according to his work."

4. Others held that the existence of commodity economy is an important basis for the system of management responsibility.

5. It was unanimously agreed that the development of the entire economy and the reform in the system of circulation are important causes for the

adoption of the system of economic responsibility. 1) It is a basic Marxist theory that the mode of circulation determines the mode of production. In the sphere of production, the system of production responsibility is now universally practiced in agriculture and the relations of production has been readjusted. The system of economic responsibility is also being practiced in industry so that responsibility, rights and interests are all combined inside the enterprises. Thus, it is necessary that circulation, playing the role of a "medium," should also practice the system of management responsibility, and the enterprises' operation and management should be improved in order to meet the requirements of industrial and agricultural production. 2) After the initial restructuring of the circulation system and the breaking of the monopoly of state-run commerce of the past, there is now business competition in commerce. This makes it necessary for state commercial enterprises to strengthen their business operation and management through the system of management responsibility, so that it will be in a favorable position and play its leading role more effectively in the competition.

Experience in the practice of the system of management responsibility in more than 1 year has shown that the overwhelming majority of experimental enterprises have enabled the state to increase its revenues, while the enterprises themselves and their workers and staff members have had more to gain. Their business activities have been expanded, their service has been improved, and they are now in a better position to meet the requirements of production and the people's livelihood. Their business management has been improved, their expenditures curtailed, and their economic results improved. Abolition of egalitarianism has begun in two respects, and the enthusiasm of the enterprises and their workers and staff members have been aroused. All this is welcomed by the enterprises and their workers and staff members.

III. Conditions for the Adoption of the System of Management Responsibility

The majority of people held that there should be favorable conditions for the adoption of the system of management responsibility. Since this system signifies an important reform, it must be carried out in a planned and systematic way. We should let those enterprises with favorable conditions take the lead. If we rush into action blindly regardless of the existing conditions, the result may turn out to be the reverse of what we expect.

A small number of people pointed out that according to the experiences of some provinces and municipalities where such experiments have been carried out, the existing conditions were not considered at all, and yet some enterprises, always backward and incurring losses, have produced fairly good results. Since this is going to be a restructuring of the commercial management system, it should go hand in hand with the reorganization of enterprises. If the system of management responsibility is practiced by only a chosen few, the overall problem still cannot be solved.

There should be five different conditions for the practice of the system of management responsibility: 1) a fairly good leading body for the enterprise; 2) a clear understanding on the part of the cadres, workers and staff members and their willingness; 3) a certain foundation of management for the enterprise; 4) the enterprise's regular operation; and 5) the cooperation of relevant departments.

There were three different views as to the extent of the necessity of these conditions. 1) The meeting of the minimum conditions should be sufficient, because if the demands of these conditions are too high, they will become handicaps and make the task difficult. 2) Since this is an important reform, we must proceed carefully. Instead of calling it off half way because of difficulties, we should set the demands higher at the very beginning and proceed slowly. We must be sure that one experimental unit has been successfully completed and consolidated before the beginning of another, so that the experiments can be successfully completed group by group. If we have to take corrective action on the mistakes brought to light later, we may impair the initiative of the cadres, workers and staff members. 3) There should be conditions for simultaneous action, namely, simultaneous action for promoting the system of management responsibility and for creating the necessary conditions. All these conditions can be created and improved in the course of experiment. There should be the necessary conditions, but we cannot "wait for conditions." Adoption of the system of management responsibility should not be separated from the creation of necessary conditions. We must see the connection between them, because some conditions can be improved only in the process of practice. In looking at the conditions, we should proceed from the present economic conditions in our country and the realities in the majority of commercial enterprises. We must realize that the restructuring of the entire economic system is still in the process of experiment, and that the conditions for the system of management responsibility can only be improved gradually along with the improvement of the entire economic situation and the progress of the restructuring of the economic system.

IV. The Principles That Must Be Observed in Practicing the System of Management Responsibility

1. Firmly adhere to the principle of the leading role of the planned economy and the supplementary role of market regulation. (passage omitted)
2. Firmly adhere to the socialist business orientation and uphold the principle of protecting the consumers' interests. (passage omitted)
3. Firmly uphold the principle of considering the interests of the state, the enterprise and the individual workers. (passage omitted)
4. Firmly uphold the principle "to each according to his ability." (passage omitted)

In addition, some people also suggested that the principle of material benefits and the principle of the combination of rights, responsibility and interests and also the basic principles must be followed in practicing the system of management responsibility.

V. The Attitude Toward the Problems Emerging in the Course of the Practice of the System of Management Responsibility

The main problems emerging in the earlier period was as follows: 1) Some enterprises pitted themselves against the state in the scramble for profits, while the workers and staff members did the same against the enterprise for their remunerations. For example, cases of tax evasion, withholding profits and taxes, falsifying reports on receipts and payments, and other violations of financial and economic laws have been increasing. 2) The practice of "considering everything in terms of money" is now spreading, while cheating on weight, increasing prices in disguise and other acts which are detrimental to the interests of consumers have also increased. 3) There were cases of one-sided pursuit for profits in violation of policies and regardless of state plans. 4) Among the enterprises, and their workers and staff members, there have been either unfair distribution of benefits and assignments of tasks or some new egalitarianism. Most of the participants held that some of these problems are quite serious, but compared with the achievements made, they are of secondary importance only. The system of management responsibility should be affirmed. While the problems should be taken seriously, their solution can be worked out gradually.

Some individuals had misgivings on the feasibility of adopting the system of management responsibility.

These are the main causes for the problems: First, one-sidedness. Some people thought that the system of management responsibility means "responsibility for profit" which is under the system of responsibility for profits and losses. They are only concerned with the distribution of benefits but neglect the fulfillment of their responsibility. This accounts for their one-sided quest for profits. Second, rushing into action on the spur of the moment. These people have not been fully prepared and have not carried out any serious experiment on the working of the system. For example, they are not clear about the responsibility and the quotas are not correctly set. Many difficult problems can be created for the system of management responsibility this way. Third, the working of the system is not synchronized with restructuring, without which, there will be, among others, irrational prices and tax rates, lack of scientific data for the base figures, inadequate system of economic laws, and financial difficulties. All these have made it difficult for the normal operation of the system of management responsibility, and discrepancies will be inevitable.

Another view was that in addition to these extrinsic factors, we should look for the causes from the system itself. Such causes are mainly as

follows: First, the expansion of power for enterprises will naturally be followed by the tendency toward decentralism. Secondly, when responsibility is linked with interest, the defect of "considering everything in terms of money" will be hardly avoidable. Thirdly, profit sharing may result in decentralism from bargaining with the state over the enterprise's share.

VI. Question of Perfecting the System of Management Responsibility

At the present stage, the following six questions should deserve attention: First, whether the enterprise has a powerful leading body which is capable of practicing the system of management responsibility; second, whether responsibility, rights and interests are closely combined to arouse the enthusiasm of the enterprise and its workers and staff members; third, whether a comprehensive and realistic system has been established along with other relevant systems to be carried out at every level; fourth, whether the principles and policies are conscientiously implemented for the overall fulfillment of state plans; fifth, whether the economic results and quality of service have been improved and the consumers' interests are being safeguarded; and sixth, whether the relations of interests among the state, the enterprise and the workers and staff members are being correctly handled, with particular attention to the state's interests and overcoming egalitarianism.

There are also the questions of verification related to that of perfecting the system. (passage omitted)

*This is a summary of the articles presented and the speeches delivered at the national conference on the theory of the system of management responsibility in commerce convened by the Economic Research Institute of the Ministry of Commerce. This summary has been prepared by this journal after considerable deletion.

9411
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ECONOMIC MANAGEMENT

SIXTEEN METHODS FOR COMPUTING ECONOMIC RESULTS INTRODUCED

Beijing CAIZHENG [FINANCE] in Chinese No 9, 5 Sep 82 pp 19-21

[Article by Gong Yanzhen [1362 6066 3791]: "A Brief Introduction to the Methods of Computing 16 Main Indices of Economic Results"]

[Text] To improve the economic results of industrial production and to promote the "compare, learn, catch up, help and surpass" activities among various areas, trades and enterprise, the State Economic Commission, State Planning Commission, State Statistical Bureau, Ministry of Finance, State Labor Bureau and the People's Bank of China jointly issued in April this year the "Detailed Rules and Regulations for Issuing Periodical Announcements on the Main Indices of Economic Results" (hereinafter referred to as "Detailed Rules and Regulations") whereby quarterly bulletins will be issued on how the 16 main indices of economic results have been carried in different provinces, municipalities and regions; and giving the indices for computing industrial output in the overall economic trend. This is of great significance in reflecting the trend of economic results in industrial production from a macroeconomic point of view. The methods of calculation with these indices are briefly introduced as follows:

1. Total industrial output value and the growth rate. Total industrial output value is the expression in the form of value of the total volume of products produced by the industrial enterprises, including the value of finished products and the value of completed industrial work carried out for foreigners. It reflects the total scope of industrial production and the level of its development, and can be used for computing the speed of such development and various proportionate relationships.

Total industrial output value is calculated with the "factory method," that is, in each enterprise, only the final product of industrial production is counted. There should be no duplication, and the results of production by various workshops should not be added together. To eliminate the effects of price changes in different periods and to ensure that the data of the total output value in different periods, different localities and between plans and statistics can be compared with one another, a constant price centrally set up for a certain period should be used. Since liberation, we have formulated and adopted the constant prices of 1952, 1957, 1970 and

1980. Since 1 January 1982, we have all used the 1980 constant price for calculations. The statistics cover all industrial enterprises.

The growth rate is shown in percentage. The formula of computation is as follows:

Growth rate of total industrial output value

$$\begin{aligned} & \text{Total industrial output value in report period} \\ = & \left(\frac{\text{Total industrial output value in report period}}{\text{Total industrial output value in base period}} \right) \times 100\% \end{aligned}$$

(This formula can also be used to work out the growth rates in several indices in the following. It will not be repeated.)

2. The completion of plans for the output of main industrial products. This is used to reflect the production of the main industrial products according to state plans by different localities and to show the equilibrium in the fulfillment of plans. The index to be adopted: the proportion of goods actually produced in fulfillment of the plan for the output of the main industrial products. The "Detail Rules and Regulations" contain specific instructions and explanations of the way to inspect the varieties of products. The formula for computation is as follows:

Proportion of goods produced in fulfillment of production plan for main industrial products

$$\begin{aligned} & \text{No. of varieties produced in fulfillment of plan} \\ = & \left(\frac{\text{No. of varieties produced in fulfillment of plan}}{\text{No. of varieties designated for inspection}} \right) \times 100\% \end{aligned}$$

3. Rate of steady improvement in the quality of main industrial products. This is for reflecting the trend (upward or downward) of product quality from the macroeconomic point of view. The formula for computation is as follows:

The rate of steady improvement in the quality of the main industrial products

$$\begin{aligned} & \text{Leveling off or improved quality index} \\ = & \left(\frac{\text{Leveling off or improved quality index}}{\text{Quality index designated for inspection}} \right) \times 100\% \end{aligned}$$

4. Rate of reduction in the consumption of raw materials, fuel and power for main industrial products. This is for reflecting the reduced per-unit consumption of raw materials, fuel and power. The formula of computation is:

Rate of reduction in consumption for main industrial products

$$\begin{aligned} & \text{Leveling off or lowered consumption index} \\ = & \left(\frac{\text{Leveling off or lowered consumption index}}{\text{Index of consumption designated for inspection}} \right) \times 100\% \end{aligned}$$

According to the stipulations in the "Detailed Rules and Regulations," the comprehensive computation method with multi-indices is used for Items 3 and 4, because in planning, statistics and industrial management at present, there is no comprehensive index for the overall reflection of changes in the quality of industrial products or in consumption, while the changes in the indices of the quality of certain goods and in the consumption indices cannot represent the changes in the quality of all industrial goods or in the consumption required. Therefore, the comprehensive method with multi-indices is used to roughly reflect the changes in the quality of main industrial products and the consumption required in a locality. Here, two points should be noted: First, there must be a sufficient number of indices designated for inspection; and secondly, the industrial products designated for inspection must be able to roughly, reflect on the development level of industrial production in a locality. The "Rules and Regulations" also stipulate that when the relative change of a single index is equal to or less than 0.5 percent, it is considered as leveling off; over 0.5 percent, it will be either improvement or deterioration. According to the "Rules and Regulations," the relative change refers to the numerical value of the index in the reporting period divided by the numerical value of the index in the base period, but not the difference between the two numerical values. This method of computation is specially intended for Items 3 and 4.

5. The percentage of fine-quality industrial products. This reflects the increase in the quantities of those goods which have been rated by the state, the province, the municipality or the prefecture as being of fine quality, and in the increase in output. The formula for computation is as follows:

Percentage of fine-quality industrial products

$$\begin{aligned} & \text{Fine-quality output value} \\ = & \left(\frac{\text{Fine-quality output value}}{\text{Total Industrial Output value}} \right) \times 100\% \end{aligned}$$

Fine-quality output value = Fine-quality output value x unit price.

The output of fine-quality products refers to the output of those which have been formally named by the State Economic Commission, the ministries of the central government, the province, municipality or regions, and given certificates as fine-quality products; but not to the output of those matching the standard required for fine-quality goods. It refers to only certain products which have been awarded fine-quality product certificates, but not to all the products produced by the same enterprise. The price refers to the constant price of 1980, but not the wholesale price or retail price. The total industrial output value refers to the total industrial output value of all the industrial enterprises in a locality, but not the total industrial output value of the enterprises producing the fine-quality products.

6. Rate of reduction in energy consumption for the output value of every 10,000 yuan. This is used to show the utilization and conservation of energy in production and to compute the proportionate relationship between industrial production and energy consumption. The scope of statistics covers all industrial enterprises consuming more than 50,000 tons of energy each year. The formula of computation is as follows:

Energy consumption for every 10,000 yuan's output value

Energy consumption

Total industrial output value

Rate of reduction

Energy consumption for each 10,000 yuan's
Output value during report period

= $(1 - \frac{\text{Energy consumption for each 10,000 yuan's Output value during report period}}{\text{Energy consumption for each 10,000 yuan's Output value during base period}}) \times 100\%$

Energy consumption for each 10,000 yuan's
Output value during base period

A positive result shows the reduction of energy consumption, while a negative result shows increase in energy consumption.

7. Rate of increase in the proceeds from the sales of industrial enterprise products. The proceeds from sales are used to reflect the conditions of sales within a certain period by an industrial enterprise. Combined with other relevant indices, it can help to analyze the business results of the enterprise and show whether its goods are in demand. Sales proceeds include the income from the sales of finished and semifinished products as well as all "industrial work" [such as processing materials supplied by foreign customers]. The increased income for cigarette factories from increased cigarette prices is also included.

8. The rate of profit increase for industrial enterprises. The profit here refers to the total profit. The profit realized is an important index comprehensively showing the production and business activities of an industrial enterprise. At present, for the sake of comparison with previous data, we are adding together the total profit before the subsidy quota, the fixed funds used, and the circulating funds used (not including the fixed funds and circulating funds used in the enterprises which are paying taxes instead of handing in their profits to the state).

9. Rate of increase in profits handed in by industrial enterprises. Profits handed in, or paid into the government treasury, refers to the profits handed over by the industrial enterprises to the central or local authorities to be included in their budgets. Only those actually received by the treasury are accounted for. The profits handed over by the enterprises are an important component of the state's budgeted income. In calculating the profits to be handed over for the budget according to the present system, we have to add together the fixed funds and circulating funds used, and the income tax paid by the enterprises which have chosen to pay taxes instead of turning in their profits (including resources taxes and regulatory taxes). Should there be any change in the affiliations of enterprises in the provinces, municipalities or regions, the amount for the same period of the previous year should be readjusted according to the actual amount of the current year in comparable terms.

10. Rates of profit and tax on the output value and rate of increase, also called the profit and sales tax realized from every 100 yuan's output value. These rates are used to show the ratios of profits and tax to the total industrial output value. The higher the value of this index, the lower will be the consumption of labor and material. The formula of calculation is as follows:

Output value tax rate

$$= \frac{\text{Profit realized sales tax}}{\text{Total industrial output value}} \times 100\%$$

Rate of increase in output profit and tax

$$= \text{Profit-tax rate in report period} - \text{profit-tax rate in same period of previous year.}$$

11. Sales income tax rate of industrial enterprises and rate of increase. This shows the ratio of profit to the sales proceeds. This index can help

analyze the relationship between profit and sales proceeds and show the effects of changes in prices, production costs and tax rates on profits. The formula of computation is as follows:

$$\text{Sales income profit rate} = \frac{\text{Profit realized}}{\text{Sales Income}} \times 100\%$$

Rate of increase in sales income profit rate

$$= \text{sales income profit rate in report period} - \text{sales income profit rate of same period in the previous year.}$$

12. Number of days for the turnover of fixed circulating funds for industrial enterprises and rate of acceleration. This is one of the important indices for evaluating the use of enterprise funds and the result of business operation. The number of days for the turnover of fixed circulating funds is the number of days for a complete turnover of circulating funds in industrial enterprises. The fixed circulating funds in industrial enterprises refers to the total fixed floating assets in the balancing table. The formulas for computing the number of days for the turnover of circulating funds are as follows:

No. of days for circulating funds turnover in a month

$$= \frac{\text{Monthly average balance of fixed circulating funds}}{\text{Monthly sales income}} \times 30$$

No. of days for circulating funds turnover from 1st to x month

$$= \frac{\text{Average balance of fixed circulating funds for 1st to x month}}{\text{Ttl sales income from 1st to x month}} \times \text{ttl no. of months} \times 30$$

No. of days for circulating funds turnover in a year

$$= \frac{\text{Annual average balance of fixed circulating funds}}{\text{Annual sales income}} \times 360$$

Monthly balance of fixed circulating funds

$$= (\text{balance at beginning} / \text{balance at end of month} + 2)$$

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China Report

ECONOMIC AFFAIRS

No. 282



FOREIGN BROADCAST INFORMATION SERVICE

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CHINA REPORT

ECONOMIC AFFAIRS

No. 282

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NATIONAL POLICY AND ISSUES

MULTIVARIETY PRODUCTION IN MACHINERY INDUSTRY

HK201027 Beijing JINGJI GUANLI in Chinese No. 7, 15 Jul 82 pp 53-57

[Article by Yin Gongyi [1438 1872 0308] and Yang Chengyi [2799 2110 5030]:
"Principle Methods for Organizing Multivariety Production in Machinery Industry"]

[Text] During the last few years of readjustment in the national economy the machine building industry has been confronting two major situations. One is the large-scale decrease in demand for traditional machine products, making production in many enterprises extremely problematic. The other is that technological innovations and improvements in equipment in heavy industry, light and textiles industries, the food industry, medical and building construction industries as well as in timber and animal husbandry have resulted in many new products and many new demands. Demands such as these pass through the channels of each department, region and enterprise before reaching the machinery industry as an order, thus making the delivery schedule for goods extremely tight. In view of this situation it is necessary for the machinery industry to continue to support the planned economy and bring into play the effective aid of market adjustments in order to put new life into production.

The machinery industry must therefore incorporate these new demands on machine and electrical products into their planning, and in organizing production, it must grasp and put into practice some theories and methods of multivariety production, thereby improving the adaptability of the industry and ensuring delivery dates as specified in contracts, as well as increasing the economic efficiency of the industry.

1. New Lessons in Production Management

Overseas, particularly in the United States and Japan, the end of the Second World War saw a relatively serious shortage of goods and materials. Whatever enterprises could produce, they were able to sell. This situation continued for quite some time, and during this period the area of greatest concern for enterprises was centred on improving production technology and increasing the efficiency of organised production, while no attention was given to problems of market changes or the marketability of products.

The main method of organizing production was to adopt fixed assemblyline production, thereby seeking stability in planning and harmony within production, and from there improve production efficiency. Later, production began to develop quickly, goods and materials became more abundant and the market itself underwent enormous changes. No longer could an enterprise produce what it liked and be able to sell it; now it had to produce in accordance with the demands of the market and take capturing the market and raising sales figures and profit levels as its management targets. Under conditions such as these, an enterprise had to adapt to the market before it could gain initiative in competition. Thus in the last 30 years or so the theories and methods of economic administration in these countries have seen new developments, the main ones being the following four:

- 1) To make market analysis and prediction the basis for planning organizational work.
- 2) After theories for administration have been established, production plans must come under the guidance of administration plans.
- 3) Use scientific methods to organize the production of a greater variety of products. Production plans must underline the importance of flexibility and adaptability and the need to increase technological services.
- 4) Overall administration must be applied to market predictions, economic and administrative planning, technological standards, production organization, production service and product information and feedback.

From these points it can be seen that the domain of production administration has developed and expanded from the rationalization of the organization of the production process, and high efficiency, to administration of the whole process of production from market analysis to technological services.

China's machinery industry is at the moment undergoing changes similar to those stated above. Without studying market demands, it is impossible to organize production. This will result in blind production, and consequent overstocking. Hence under conditions of market competition in which there is an abundance of product varieties, goods are suddenly in demand and the situation is constantly changing, the demands on production administration are even greater. Production administration within enterprises has thus entered a new domain. Enterprise production management should draw up flexible and dynamic plans, taking into consideration market changes and based on management targets and policies. It should utilize network technology and shorten the period of production technology preparation as well as the production time itself, and in accordance with the demands of contracts, set up assembly line production. For different machine parts adopt different administrative methods, and decide on the production of different batches. For production parts which require up a lot of funds and complex production processes, apply economical methods of batching,

thereby cutting back on costs. Enterprises with the conditions to do so can organize their technology according to the type and shape of the parts to be produced and then decide on assembly line production or processing unit production, all based on greater product variety, short production time and large-scale changes within the market. In addition there is a need for a well organized and planned customer service. The use of large or microelectronic calculators to help in administration allows unimpeded information and fast responses and reactions. These are all new lessons for us in production administration.

2. Main Methods of Organizing Multivariety Production

There must be a strengthening of the enterprise's flexibility toward the market and an improvement in the economic effectiveness of organizational activities within enterprise production. There is a need for a complete set of methods and systems, each separate one with its own characteristics but all inter-related and intercoordinated, before any achievements can be made.

A) Taking management as a central focal point, we must carry out market investigations and predictions while at the same time organizing thorough contract administration.

Market study has its own characteristics and theories, as well as methodology and rules which all enterprises should scientifically learn to utilize. While in the process of using market research and prediction methodology, the enterprise must also rely on its own technological skills, production characteristics and management aims and targets, all with careful planning.

Amongst some successful enterprises abroad, opening up the market and capturing the market requires studious application of "the two appraisals" these being appraisal of the product and appraisal of the enterprise. When dealing with a product new to the market, in addition to analysing the length of the product's life on the market and various market characteristics, it is vital also to thoroughly analyse the characteristics of the product's production technology in addition to making a complete appraisal of the enterprise's own production skills, technological equipment and technological specialities before making any policy decisions. For example, such products as washing machines or bicycles both have markets, but it may not necessarily be suitable for an electrical generator factory or heavy duty machinery factory to manufacture such products. Thus there are four main principles which must be adhered to: 1) similarity between the product structure and that of the products manufactured by the factory; 2) suitability and similarity of production skills; 3) potential for exploiting the factory's specific technology skills; and 4) potential for using the factory's specific technological equipment.

In line with the above principles, the first step in organizing multi-variety production is the question of how, within an enterprise, one should carry out rational grouping and organization as well as putting into production products which already have many different varieties. There are two basic ways. One way is passive, putting a product into production according to consumer demands without changing or adding to the available machinery and equipment. The other is to base product decisions on the enterprise's design, technological skills and production characteristics and to initially draw up many grouping schemes and then decide which product is the best, which ones are not so good and which one is the most rational and practicable. All such products should be made into samples and handed over to salesmen for consideration during the time when orders are taken. When the salesman has come to understand the sample and has made an agreement with the consumer then contractual delivery dates must be worked out and honored. All this must be in accordance with the enterprise's basic production structure. This method is more actively dynamic and is able to avoid or solve problems thrown up by the passive method which generally results in greater responsibilities and complications in productions as well as in contracts with delivery dates that cannot be met.

B) There is a need to organize and work out a management plan to guide the enterprise to adapt flexibly to changes in the market. Here, there is no need to discuss the entire question of management planning, but only that part of management planning relevant to the organization of multi-variety production. In addition to well laid out management goals and policies, management planning should also be flexible, lively and adaptable. Management planning involves both composite and specific planning and the directing of plans for putting into action concrete measures. The following are some points which are directly relevant to improving enterprise flexibility and adaptability:

- 1) The introduction or dismissal of new domains and new products in the overall plan. This sort of planning is of great value in extending spheres of service, opening up potential markets and developing innovations to old products.

- 2) Management planning in periods of change and management planning under adverse circumstances. During this period of readjustment there may be sudden changes in the target of an enterprise's product or services. For example, the Nanjing Steam Turbine Factory was originally designed to produce gas turbines, but because of changes in policy concerning energy and reductions in national construction investment, the factory changed to producing small-scale air pumps and steam turbines and various other small-scale products. The result of this was that many problems emerged in connection with the factory design and the equilibrium between the production capacity of each workshop. Thus when organizing multivariety production it is necessary to work out thorough plans for design, technological skill, technological personnel and workers as well as plans for the feasibility of readjusting machinery and equipment in order that any problems may be overcome and future changes handled easily.

3) Contingency plans. At present in China there are many channels for ordering electrical machinery and a factory which needs new machinery and equipment because of technology changes can order them itself. In such a situation an enterprise can be very unclear on the state of the market. For example, it was originally said that bakelite board, shaving board and fibre board pressing machines were all in great demand and many machinery factories began production. At present, however, the demand for such machines is no longer very great. Thus, enterprises should prepare themselves to counter such problems and to draw up concrete contingency plans for such events.

It is vital that in order to improve an enterprise's adaptability, it is vital to organize production plans of a flexible nature for long-, medium- and short-term production. Under the guidance of the above-mentioned management plans, the machinery industry can work out 10- or 5-year production plans, judging by market changes. By adopting dynamic methods it may undergo annual changes within the following 5- or 10-year period. In yearly terms, the industry can draw up fluid production outlines for a 15- or 9-month period, with changes every month, and constantly introduce market change factors into the plan in order to guide and assist the enterprise's work in technological production. In the course of drawing up this fluid plan, it is vital that the prevailing conditions of the enterprise's existing equipment capacity be fully exploited and all contractual delivery time met.

C) In preparing production technology and drawing up plans, network technology should be utilized and production time shortened.

A fairly widespread problem in the organization of multivariety production is the unsuitability of enterprise product design, machine tool design and production capacity to market requirements. From our examination of several large enterprises such as Huadong [5478 2639] Huabei [5478 0554] and Dongbei [2639 0554], it seems evident that an enterprise which has properly solved the problems of insufficient design and technological weakness, automatically sees improvements in its market and production adaptability. Network technology should be used to organize in a planned way design, technological skills, machine tools and various other things necessary for the preparation of production technology. By starting with a formulation of work quotas for technicians, network plans should be drawn up for each product and all plans should be carefully evaluated and examined to eliminate any contradictions and find possible ways of shortening production time. The period of time needed for the preparation of production technology can be shortened by the reintroduction of the bonus system.

In formulating the preparation period for production planning, a network of plans should first be produced for the processing of products and key spare parts. After evaluation and the removal of any contradictions one will be able to see the feasibility of the production time and storage quotas.

D) "It out work shops with assembly and production lines, rationalize the setting up of processing work shops, achieve full coordination and ensure the ordered production of multivariety goods.

In line with market changes, some large-scale enterprises with assembly production, such as automobile factories, which set up all sorts of different assembly lines during their preparation period in order to try and satisfy consumer demand, have reduced their production funds. Some other enterprises such as lathe factories and machine tool factories have decided that it is necessary to alter their previous production methods in order to satisfy consumer demands and introduce not assembly lines but workshops fitted out for assembly and therefore more in line with the market's need for a wider variety of products. This may be seen as a very good move. We feel that the multiple assembly methods used in enterprises with large-scale assembly production are good because they may be used in non-assembly enterprises for multivariety production and even in mixed-assembly production lines. For example, by using logical calculations, we may analyze the production and technology characteristics of multivariety manufactured products and establish the value of their specific characteristics and from there establish the key factors in the product's technological production, production equipment and assemblage area. On the basis of such analysis we can establish the extent of influence on the product of any one of the above factors and from there draw up and work out operational plans. From this point, based on the concrete situation of the enterprise, several schemes can be selected and one or more trial models chosen. In this way we can scientifically advance the organization of assembly and installation for the manufacture of a product.

In order to comply with the demands of mixed-assembly work, machinery processing work shops must be able to punctually provide the necessary parts for each product. This is the key to realizing mixed-assembly production.

In order to comply with the demands of mixed-assembly line production, machinery work shops may adopt two organizational methods. One is to organize multiprocess administration, the other is to put into operation production of varying batches at various times. Both of these methods are in accordance with the demands of a production line.

Multiprocess administration means that one spare part or piece of a product is processed by one versatile operator and this one person carries out all stages of the production of one spare part for assembly. Of course the equipment for such machinery processing and the distribution of the labour involved must comply with the demands of the assembly line. Such a method demands a relatively high standard of administration in the enterprise and relatively highly skilled workers. Such organization methods use less funds and are economically very efficient.

Production involving varying quantities and time periods should be based on the enterprise's actual situation. The processing of a spare part should be based on the complexity of the process and the amount of money it costs. Production should be divided into A, B and C, with A representing those products with high costs and complex processing. Based on rational calculations of economic production levels, a rational production limit in terms of time and quantity must be established. Production of types B and C is relatively simple and costs relatively little and on this basis relevant production decisions may be made.

In order to ensure coordination and linkups between assembly, machine processing and other work shops, there is a need to establish an efficient guidance and command system.

In the work of production management, the use of a program board is a good way of ensuring that assembly parts arrive on time. The Changchun No. 1 automobile factory adopted such a method on a trial basis and successfully managed to avoid the piling up of machine parts in the assembly room. It also reduced the amount of funds needed for the manufacture of the product, thereby giving the entire assembly line a new look. This method is well worth popularizing.

E) Gradually carry out the organization of technology and organize multi-variety production for greater adaptability to the market.

In today's industrially developed countries, organized technology for use in machinery processing is already well established. Now, more than half the total enterprises use organized technology and in some countries as much as 65 percent. At present there is ever deepening and widening development in this field, and the application of such technology has now spread from single unit production enterprises to composite production enterprises.

The use of organized technology helps to raise an enterprise's suitability for multivariety production in the following ways:

- 1) It reduces the amount of design and technological work needed for the standardization of product design work. Because of the scientific organization of product parts and the improvement in systematization, generalization and standardization of product design, stock coding is made feasible and on the basis of orders, designers can first select standard blueprints and technological production processes for parts, and design on a larger scale; in this way design and production planning work can be greatly reduced.

- 2) It allows small-scale single unit machine processing to become large-scale. Furthermore, parts with similar processing and of similar size may be combined and integrated, thereby saving time on machinery adjustments and raising processing efficiency.

3) It simplifies production planning and coordination work. Work plans can be drawn up both for organized processing production lines and organised units, thereby avoiding complexities in the planning and coordination work of multivariety production.

On the basis of the current state of China's machinery industry, the move towards the use of organized technology must be made from low level to high level, simplicity to precision, in planned and structured way. As far as commonly manufactured products are concerned, scientific coding should be carried out according to the product's shape, size and production complexity. In this way the Beijing people's machinery factory was able to classify its parts into toothed parts, worm shaped parts, screw parts, etc., a total of 11 different classes, and on the basis of this the factory organized the appropriate production lines and processing units. The object of production organization and administration is to change what were previously unit products into a series of several processing units. Thus all the necessary planning, timing, and other organizational and planning work involved in preparing for product manufacture should have as their objective classification into units. In this classification work, one can generally make use of the normal planning theories and methods. In implementing such principles one can carry out trial runs in one work shop or on one type of product and then gradually expand to include the entire factory. Based on the enterprise's level of administrative work, the parts department may first be organized for production. Later, by organizing design, production work, and machine tools, unified coding systems may be drawn up and work shops adjusted and rearranged as necessary and then production organized following similar principles. As far as the coding system is concerned, the move should be from simplicity to complexity of precision type coding.

Of course, all of the above must be based on extremely solid foundation work, for if the foundations of an enterprise are not sound, there is no way that multivariety production may be organized and developed successfully.

CSO: 4006/053

NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON REORGANIZING LABOR ORGANIZATION

HK220925 Beijing JINGJI GUANLI in Chinese No. 7, 15 Jul 82 pp 32-36

[Article by Kang Yong [1660 3075 0735]: "Production Should be Organized According to a Fixed Number of Staff Members and Fixed Quotas"]

[Text] Reorganizing work units, arranging production according to a fixed number of workers and fixed quotas and firmly overcoming overstaffing and laxity are an important content of the present reorganization of enterprises and also an effective means of perfecting the economic responsibility system, tapping potential in production of enterprises and raising economic results. The various sides and sections concerned must make great efforts to do this work well as required by the CPC central committee and the State Council.

The work regarding fixed numbers of workers and fixed quotas is one important aspect of the basic work of the socialist enterprise management and it is also the aspect which was very seriously damaged during the 10 years of internal disorder. Since the 3d plenary session of the 11th CPC central committee, the enterprises' work regarding fixed numbers of workers and fixed quotas has been restored and improved to a certain extent. According to statistics from some localities and departments, the workers who have practiced this system of fixed quotas constitute 70 to 80 percent of the total number of the workers who can practice such a system and the level of fixed quotas of some trades and enterprises has also, to some extent, been raised. Through assigning work according to a fixed number of workers, some enterprises initially put an end to irrational labor organization and overstaffing. For example, since 1978, on the basis of the "four checkups" (checking up on the job personnel allocation, the use of man-hours, the loading of equipment and working efficiency) and the "three contrasts" (contrasting the company's present standards with those issued by the ministry concerned, its present level with its own best level in history and with the advanced level of the same trade), the Shoudu Iron and Steel Company has comprehensively carried out the fixed number of workers and fixed quotas work. The company has tapped the latent power of the labor force totalling 8,768 people, constituting 13.3 percent of the total number of staff and workers. The fixed number of cadres in the whole company decreased from 10,862 to 9,378, a reduction of 13.66 percent. Moreover, it has made proper arrangements for surplus personnel. While the company's

production of iron and steel was limited, output value per worker in 1981 nevertheless totalled 17,140 yuan, or 12.73 percent higher than the best level in history, calculated in terms of the same items. While restoring and intensifying work with a fixed number of workers and fixed quotas, the responsible departments and labor departments of enterprises have done a lot of work in training cadres, setting standards for fixing the number of workers required and fixing output quotas, enforcing the management with a fixed number of workers and fixed quotas, organizing the exchanges of experiences and conducting the study of output quotas. This has played an important role in pushing the improvement of labor organization of enterprises forward and in restoring and strengthening the work with a fixed number of workers and fixed quotas.

However, work with a fixed number of workers and fixed quotas is still a weak link enterprise management at present. The enterprises which have done this work satisfactorily constitute a relatively small number, while mismanagement exists quite widely. The phenomena by which labor organization is irrational, administrations are overstaffed, nonproductive personnel and auxiliary productive personnel on the second line are superfluous, levels of fixed quotas are low and the man-hour utilization rate is low, are still a grim reality in some enterprises. Take a certain large-sized enterprise with more than 40,000 staff and workers for example. The productive workers on the first line constitute 28.8 percent of the total sum of staff and workers; the auxiliary productive workers on the second line, 44.63 percent; and the nonproductive personnel on the third line, 26.5 percent. Among the nonproductive personnel, the increase in the various types of personnel is irrational. Compared with 1966, the number of cadres at the departmental level has increased by 96 percent and the number at the sectional level, by 79 percent; the number of cadres engaging in political work has increased by 57 percent and the number engaging in professional work and engineering technical personnel by only 5.6 percent. While they still had surplus personnel, some enterprises recruited casual workers and peasants to fulfill the tasks in relatively poor working conditions and arranged large quantities of collective labor at the main production posts. The fixed labor quotas of quite a few enterprises have not reattained the best level in history. Some are even over 20 percent less than the 1965 figure and the effective man-hour utilization rate of quite a few enterprises whose production is being carried out normally is only about 50 percent. These problems have not only seriously prevented enterprises from improving their operational management but from a long-term point of view, also produced direct influence on the building of the contingent of staff and workers.

The causes of the above-mentioned problems are multifarious. The main reason however, is that the influence of the damage done during the 10 years of domestic turmoil has not been completely eradicated. As well as this, in the course of the economic readjustment carried out in the last few years, despite insufficient production tasks and superfluous personnel, some enterprises still had to give jobs to the young people awaiting

assignment. Also, the leadership of some enterprises attached insufficient importance to the basic work, such as the fixed number of workers and fixed quotas work and the departments concerned at the higher levels failed to pay close attention to this work and to provide better guidance. This has interfered to some extent with the conducting of the fixed number of workers and fixed quotas work.

Reorganizing enterprises, improving the economic responsibility system and raising economic results are the main tasks for China's present enterprise management. Making a good job of the fixed number of workers and fixed quotas work is both an important content of the reorganization of enterprises and one of the basic requirements for perfecting the economic responsibility system. Therefore, all enterprises must make great efforts to make a good job of the fixed number of workers and fixed quotas work as required by the CPC central committee so that it can play a positive role in improving and strengthening the operational management of enterprises and in raising economic results.

1. Deepen Our Understanding and Exercise More Effective Leadership

Deepening our understanding and exercising more effective leadership is the key to making a good job of the fixed number of workers and fixed quotas work. With insufficient production tasks and superfluous personnel, some enterprises lack sufficient confidence in whether or not a good job can be done in work with a fixed number of workers and fixed quotas. Some leading cadres in the enterprises whose production tasks are relatively normal pay one-sided attention to production to the neglect of management and of the basic work and even hold that carrying out the system of a fixed number of workers and fixed quotas will require a great deal of strenuous effort but produce no quick results, and is therefore not very significant. They fail therefore to put the enforcement of management with a fixed number of workers and fixed quotas on the agenda. The leading comrades in some other enterprises are relatively low-spirited and afraid of inviting pain, of giving offence and afraid that there may be difficulties in making arrangements for surplus personnel, and they fear difficulties in doing the fixed number of workers and fixed quotas work. All these reasons constitute the main obstacle in the strengthening of the fixed number of workers and fixed quotas work, and they should be solved on the basis of deepening our understanding.

The work concerning a fixed number of workers and fixed quotas is an indispensable element for the enterprises in drawing up their plans, accounting their production capacity, doing a good job in business accounting and implementing the principle of "from each according to his ability, to each according to his work." It is an effective measure for developing production and tapping potential in production. To improve operational management, to produce more products which cater to social demand with the minimum consumption of labor and to raise economic results, it is necessary for any enterprise to do a good job in the fixed number of workers and fixed

quotas work. Insufficient production tasks and superfluous personnel have indeed brought more difficulties to the fixed number of workers and fixed quotas works but it is precisely because of this that there is an even greater need to pay close attention to making a good job of the fixed number of workers and fixed quotas system and to organize production in an economical and rational way. Otherwise, the practice of allowing two or three people to do one man's work will lead to a situation in which people depend on each other for work, laxity in both spirits and discipline prevails and labor efficiency is very low. Then, in a situation in which production tasks are abnormal and the administration is overstaffed, can a good job be made of the fixed number of workers and fixed quotas system? Can surplus personnel be properly arranged? The experience of the Shoudu Iron and Steel Company has answered this question. The experiences of some medium-sized and small enterprises, such as the Shanghai crane transportation machine-building plant, the Anshan glassworks, the Hunjiang optical instrument plant and a cargo service company in Changchun Municipality, have also given an affirmative answer to this question. The concrete conditions of these enterprises certainly differ but they have one experience in common. The leadership of these enterprises attaches importance to this work and their guiding ideology is correct. They can open up new prospects in production and in service fields in line with local conditions and by every possible means create wealth for the state. They make use of the opportunity of the administrations being overstaffed for training the staff and workers in rotation from the higher strategic plane. The experiences of these enterprises show that although difficulties are objectively numerous, so long as the main leading cadres of enterprises devote themselves to their work and are foresighted and highly responsible, the difficulties are surmountable, a good job can be done in the work with a fixed number of workers and fixed quotas and fairly satisfactory arrangements can be made for surplus personnel.

2. Arrange Production in Accordance with a Fixed Number of Workers and Fixed Quotas

Arranging production in accordance with a fixed number of workers and fixed quotas is a scientific labor management measure. The staff and workers or production teams and groups whose work load can be measured or checked should carry out fixed labor quotas. Fixed quotas are not shown in the quantity of products alone, but in the quality and consumption as well. As for those staff and workers who carry out the system of fixed quotas, fixed quotas are the basis of the system of a fixed number of workers. The number of workers of this section of staff and workers is fixed according to production tasks and fixed labor quotas. The number of workers of the section of staff and workers who cannot carry out the system of fixed quotas should be fixed separately in accordance with the equipment, posts or the tasks of work. The system of a fixed number of workers includes not only the number of personnel but also the requirements of the personnel. On the basis of the fixed number of workers, it is necessary to set a clear and definite and concrete job responsibility system and

regularly carry out the work of assessment. In the fixed number of workers work, the enterprises must make an assessment of the laborers according to the concrete requirements of the various posts in production or work for the laborers. Those who pass an examination will be given job I.D. cards and allowed to work at their posts. Those who fail to pass the examination, instead of being allowed to work at their posts, must, for the time being, be speedily trained so that they can attain the requirements of their posts as soon as possible. For those who have received the vocational training and still fail to pass the examination other arrangements should be made.

The fixed number of workers work in an enterprise includes not only the fixing of the total number of workers of the enterprise but also the fixing of the number of workers of the various posts and units of the enterprise. The enterprises whose scope of production has been set and whose production tasks are relatively normal must determine the total fixed number of workers of enterprises when the fixed number of workers of the various units and posts of enterprises has been set. The enterprises whose scope of production has not been set or whose production tasks are abnormal or have difficulty in working out the total fixed number of workers must also make a good job of fixing the number of workers of their various units and posts in accordance with the already fixed production and work tasks to create conditions for establishing a normal production and work order. It must still be pointed out that partial changes in no matter what enterprises are a common occurrence and they should readjust the fixed number of workers in good time with the changes in their labor organization and with the improvement of working efficiency. The argument which holds that only when the production tasks are relatively normal and the various conditions are comparatively stable, can the system of a fixed number of workers be carried out, and that once the number of workers is fixed, there should be no change for a long period of time is not correct.

In order to consolidate the achievements of the work with a fixed number of workers and to give play to role of this work, it is imperative to withdraw surplus personnel and to make other arrangements for them rather than allowing them to stay at the former workshops and to drift along at the former posts. When understaffed, the enterprises should report to the higher authorities in accordance with the procedures of examination and approval of labor planning. The responsible departments and labor departments should allow the enterprises concerned to increase the number of personnel who are really needed by means of redistributing personnel between different enterprises or by means of recruiting new workers from society. After the number of enterprises is fixed, the various sides and sections concerned must not forcefully send the people awaiting assignment to the enterprises and the enterprises must not inappropriately increase the number of their personnel for the sake of accommodating the sons and daughters of their staff and workers. With regard to the single item requirements assigned to enterprises by the departments concerned for providing specialized personnel to enterprises, the enterprises are allowed

to implement them on the prerequisite of not interfering with the work and in the light of the actual conditions of specific units. Those who can do their work at that time are allowed to do so and no stress must be put on the practice that a job must be suited to a person's special training.

3. Formulate the Level of a Fixed Number of Workers and Fixed Quotas in Accordance with the Requirements of an Advanced Average Level

Formulating the advanced average level of a fixed number of workers and fixed quotas is the core of the work with a fixed number of workers and fixed quotas and also the main indicator of the quality of the achievements of this work. With regard to the level of the fixed number of workers and fixed quotas, we must persist in the requirements of an advanced average level. Only in this way, can the labor potential be brought into full play, labor efficiency be raised and fairly satisfactory economic results be gained. The so-called advanced average level is a level which can be attained and surpassed by most people and be approached by a few people so long as efforts are exerted in a situation in which production is relatively normal and a relatively full use is made of man-hours. That is to say, when drawing up or revising fixed quotas, we must, on the one hand, take the level of the present fixed quotas and workers' fulfillment of fixed quotas into account in the light of actual conditions and also take such factors as the new technical and organizational measures and the gradual enhancement of the enthusiasm of the staff and workers into consideration. Then, we can set the fixed quotas on the basis of being both advanced and feasible. With regard to the fixed number of workers work, we must implement the principle of "efficient and simple administration, efficiency and opposition to bureaucracy" and in the spirit of high efficiency and full load, while ensuring the needs of production and work. We must put manpower to rational and sparing use and put an end to over-staffing and to the situation in which no one is responsible in economic affairs. In other words, while making comparisons among the enterprises of the same type, we must strive to make the organizational setups small in number but sensible, to use comparatively few people, to make proper arrangements for personnel and to enhance working efficiency and economic results.

In order to do a good job in the fixed number of workers and fixed quotas work, I propose that all enterprises organize a certain force and strengthen investigation and study and on the basis of the "checkups" and "contrasts" and in the light of the standards for fixing the number of workers and output quotas assigned to them by the responsible departments, or the best historical level and of the advanced level of the same trade, formulate their own level of the fixed number of workers and fixed quotas, just as the Shoudu Iron and Steel Company and other units have done. Those which have reached and surpassed the required level must continue to exert greater efforts to practice a more advanced system of fixed numbers of workers and fixed output. Those which have not reached the best historical level must try their best to reach it in the course of the reorganization of enterprises,

and those which really have difficulty in reaching it for the time being must make a plan and reach the required level within a definite time. The practice of carrying out a backward level of fixed quotas and resisting making revisions of fixed quotas for the sake of boosting personal earnings must be opposed and corrected.

It must be emphatically pointed out that the composition of personnel of some enterprises is very irrational, with "the first line being strained, the second line lax and the third line overlapping." This state of affairs interferes with the enhancement of the labor productivity of enterprises and is detrimental to stabilizing the contingent of the staff and workers on the first line whose enthusiasm for labor fails to be brought into full play. The leading comrades of these enterprises must have an adequate understanding of this state of affairs and in accordance with the spirit of the reorganizational reform of the central organs of the party and the state, they must take the reduction of nonproductive personnel and auxiliary productive personnel on the second line and the transfer of personnel to strengthen organizations on the first line as an important content of the fixed number of workers and fixed quotas work and earnestly grasp this work well.

4. Strengthen Ideological and Political Work and Future Implement the Principle of Distribution According to Work

Practicing the fixed number of workers and fixed quotas system has a direct bearing on the immediate interests of the staff and workers, so we must strengthen ideological and political work. It is imperative to teach the staff and workers to carry forward the spirit of being the masters of the country, to take the interests of the whole into account, to have the cardinal principles in mind, to submit to the needs of production, to correctly handle the relationship of the interests between the state, the enterprises and the individual, to subordinate their personal interests to the interests of the whole and their immediate interests to the long-term interests. Since last year's implementation of the economic responsibility system, the drawbacks of egalitarianism and the practice of eating "from the same big pot" which have for years existed in the matter of distribution have begun to be shaken up. However, this problem remains fairly serious and has a great impact on improving the level of the fixed number of workers and fixed quotas. Therefore, while enforcing the management with a fixed number of workers and fixed quotas, the enterprises must take the improvement of the methods of distribution as an important subject which calls for serious study and solution. Attention should be paid to overcoming the erroneous ideas that people's enthusiasm can be aroused only by means of increasing their wages and that the amount of bonuses can only be increased rather than decreased. In reality, since the economic responsibility system was introduced last year in a situation in which there was no increase in the total sum of bonuses, some enterprises have done a lot of work and further overcome egalitarianism in the distribution of bonuses according to the state's stipulations and

in the light of the working posts, the attitude towards labor and the amount of contributions made by the staff and workers. Thanks to the strengthened ideological and political work, the enthusiasm of the staff and workers of some enterprises whose bonuses were reduced was not thus affected but on the contrary, production output increased by a big margin. For example, the average per capita bonuses of the staff and workers of the Shanghai No. 3 wristwatch factory in 1980 were 25 percent less than those in 1979, but the output of wristwatches increased by 60 percent. The level of the bonuses in 1981 remained the same as that in 1980 but the output showed an increase of 45 percent over the previous year. The bonuses of the Liuzhou socks mill decreased by 12 percent compared with 1979 but there was an increase of 44.32 percent in its output value, of 51.4 percent in its output, of 32.11 percent in its profits; 12.91 percent in its output value per worker and its nylon socks were rated as top-quality state products for two successive years. The bonus for every 10 pairs of socks in excess of fixed quotas decreased from 0.24 yuan to 0.158 yuan but the output increased by a big margin.

5. Make Active Arrangements for the Surplus Personnel Resulting From the Implementation of the System of a Fixed Number of Workers and Fixed Quotas

Making satisfactory arrangements of surplus personnel is the important guarantee for doing a good job in a fixed number of workers and fixed quotas work and for consolidating its achievements. Without withdrawing surplus personnel out of the former posts and units, the system of a fixed numbers of workers and fixed quotas will become a mere formality, even if it is put into practice. It must be made clear that the problem of arranging the surplus personnel of enterprises should mostly be solved by the enterprises themselves. In the last two years, in order to solve this problem, quite a few enterprises have adopted a number of methods and achieved marked successes. They can be summarized as follows: Strengthening the transfer of surplus and deficiency of manpower among the internal departments of enterprises and supporting the newly constructed and expanded projects; enthusiastically opening up new prospects in production and expanding the market of products; developing a diversified economy, going all out with comprehensive utilization and developing various service projects in accordance with the needs of the people's well-being; carrying out forestation, renovating factories and beautifying the environment; running various forms of training courses; transferring cadres and technical workers to strengthen the units under the collective ownership system; mobilizing those who accord with the conditions for retirement to retire on schedule; sorting out the workers recruited outside the plan who come from the countryside and discharging the unnecessary casual workers, contract workers whose tasks should be undertaken by the former regular staff and workers; checking on the workers doing collective labor in cities and towns (including the sons and daughters of the staff and workers who replaced their parents' posts informally) and helping them undertake production and service projects which carry out independent business accounting and assume full responsibility for their profits and losses; and turning

the one shift system into a two shift system in commerce, the catering trade and service trades, thus helping to make arrangements for surplus personnel on the one hand and make things convenient for people on the other. At present, as in society, in most of our enterprises there exist the phenomena in which on the one hand, there is an ample source of hands but there is not enough work to be taken up and on the other hand, there is a lot of work to do but there is a lack of hands. There is plenty of room for making arrangements for surplus personnel so long as the leadership attaches importance to the work and tries by every possible means to do it.

While the arrangements for surplus personnel depend mainly on enterprises, the responsible departments of enterprises and labor departments must also strengthen the work of the transfer of surplus and deficiency of manpower between different enterprises and between different trades. According to the statistics of the labor bureau of Hubei Province, the bureau transferred and arranged for the placement of 62,000 people between 1980 and 1981. Shiyan Municipality, for example, adopted various forms, such as giving temporary assistance, the regular temporary transfer of personnel or permanent transfer of personnel, and redistributed more than 4,400 staff and workers to strengthen the newly constructed and expanded units. Years of experience have proved that in the work of the transfer of surplus personnel and deficiency of manpower, we must overcome the mentality of selfish departmentalism. The units transferring their personnel must guarantee the quality and the units receiving the personnel must not set too high a demand on them. Those recipient units which refuse to receive the qualified personnel must not be allowed to recruit workers from society. We must resolutely correct the practice of refusing to accept the personnel who are transferred by other enterprises and who accord with the needs of production for the sake of accommodating the sons and daughters of the staff and workers of the enterprises concerned. At the same time, in the work of the redistribution of personnel, we must teach the staff and workers to submit to being transferred, and those who have no proper reasons but refuse to submit to being transferred must be criticized, educated and even have disciplinary measures taken against them.

6. Enforce Management with a Fixed Number of Workers and Fixed Quotas

After the number of workers of the various units is fixed, it is necessary to work out a plan for a fixed number of workers which should, after receiving the approval of the leadership of the enterprise, be implemented. Without the approval of the leadership of the enterprise, no units are allowed to establish any additional setups and increase the number of personnel or increase any additional types of work in production or to transfer productive personnel to take up nonproductive jobs. An enterprise must adopt both administrative and economic measures to consolidate the achievements of the fixed number of workers work, stabilize the manpower on the first line of production and at the posts full of hardships, effectively control the inappropriate increase in the number of the staff and workers

on the second and third lines, promote the grass-roots units to put manpower to rational and sparing use and continuously raise labor productivity.

After the fixed labor quotas have been set and issued, it is necessary to strengthen daily management, do a good job in the various basic work, such as original records, statistics and analysis, defend the seriousness of fixed quotas and oppose the random changes of fixed quotas and the practice of fraud in the course of its implementation. If man-hours have to be increased as the result of inaccurate fixed quotas or changes in the production situation, they should be submitted to the person specially in charge of the fixed quotas work for permission. No one is allowed to change any fixed quotas at will. As for the staff and workers who carry out the piece-rate wage system, we must strictly control the [word indistinct] man-hours and prevent the occurrence of the situation in which while doing piecework, people have to make up for a lot of substandard work. Under ordinary circumstances, the fixed labor quotas of an enterprise should be checked up and revised once a year. When relatively large changes take place in the situation of production, it is essential to make a timely revision of the fixed quotas. It is imperative to strengthen the work of technical determination, improve the methods for fixing output quotas and raise the quality of the work with fixed quotas. We must adopt the method of technical determination to fix or revise the output quotas of the products which are produced by a batch process and reduce the weight of estimating the work by experience.

In order to enforce unified management over the fixed number of workers and fixed quotas system, in my opinion, the work of fixing the number of personnel of various types (including the number of cadres) and of fixing labor quotas of enterprises must be put under the unified management of the personnel departments. After the fixed number of workers is set, the allocation of cadres and workers should be separately handled by the organizational and personnel departments. An enterprise should establish a setup specially in charge of the work with a fixed number of workers and fixed quotas or be provided with specifically assigned personnel in accordance with the actual needs of work. Generally speaking, the posts of cadres in charge of the fixed quotas work should be held by graduates from the institutions of higher education or from specialized secondary schools who have certain practical experience or by the technical workers who have a relatively high technical level and comparatively rich practical experience. We must continue to strengthen the building of the contingent of cadres in charge of the work with fixed quotas, do a good job in the vocational training and enhance their ideological consciousness and technical and professional levels. The enterprise leading cadres at the various levels must enthusiastically support the work of the cadres in charge of the work with fixed quotas and back up the cadres in charge of the work with fixed quotas who uphold principles and are serious and responsible.

7. Provide Better Guidance and Do a Good Job in Supervision and Inspection

Doing a good job in fixed number of workers and fixed quotas work depends mainly on the efforts of the enterprises themselves. It is however inseparable from the guidance, support and supervision of the departments concerned, and in particular, the responsible departments of enterprises. In the last few years, the various responsible departments of the State Council have formulated a batch of standards for fixing the number of workers and output quotas. But because the enterprises under the jurisdiction of the various departments are relatively numerous and formulating the standards for fixing the number of workers and fixing output quotas is a meticulous and complicated job with fairly heavy work load, the standards which have been worked out by some departments concerned still do not meet the needs of the enterprises. It is high time now for us to firmly grasp this work. The departments concerned which are unable to work out the single item standards for fixing the number of workers and fixing output quotas for the time being must formulate the standards for the organizational setups of the various types of enterprises and the controlling ratios of the enterprise managerial personnel, service personnel and the auxiliary productive personnel on the second line as quickly as possible so as to accelerate the reorganization of enterprises and the increase in the weight of the productive personnel on the first line of production.

While the enterprises are enforcing the management with a fixed number of workers and fixed quotas, the various departments concerned must firmly foster the idea of serving the enterprises, support the enterprises in doing a good job in the work with a fixed number of workers and fixed quotas and reduce the social burdens of enterprises as far as possible. Local party and government organs and the responsible departments of enterprises must also not forcefully arrange cadres to the enterprises or use for other purposes or transfer the personnel of enterprises at will.

The overall reorganization of enterprises is being carried out by stages and in batches. The various localities and departments must provide better guidance to the work with a fixed number of workers and fixed quotas, pay attention to studying and solving the problems cropping up in work and exchange experiences in work. While formulating the check and acceptance standards for the reorganization of enterprises, we must list the work with a fixed number of workers and fixed quotas as an important content, strictly check the work before acceptance, and work which fails to meet the standards must be remedied.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON REORGANIZATION OF ENTERPRISES

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[Article by Jiang Yiwei [5592 0001 5511]: "The Overall Reorganization of Enterprises is a Constructive Reorganization—Part 5"]

[Text] 5. Establish a Set of Scientific and Civilized Management Systems (Part 1)

Good organization and management are important conditions indispensable to all socialized mass production. Marx made a vivid analogy with a musical performance in this respect: If a single violinist gives a concert, he directs himself, that is to say, there is no need for any management; if an orchestra gives concert, there must be a conductor to create coordination and harmony in the performance; in the same way, socialized collective activities cannot function without management. At the same time, Marx also pointed out that management has a dual nature; it consists of both the organization of the activities of productive forces and the embodiment of certain relations of production. With regard to the organization of productive forces, management is mainly restricted by natural laws, and therefore remains basically the same under any social system. Of course, different countries and different enterprises have different levels and characteristics of production technique but this has nothing to do with the social system. With regard to the organization of the relations of production, things are vastly different under different social systems: in capitalist enterprises, the capitalists are the masters of the enterprise and the staff and workers are wage workers, while in socialist enterprises, the staff and workers are the masters. In the matter of distribution, we practice the principle of distribution according to work while capitalist enterprises buy labor power, and then distribute the profits among the capitalists according to the amount of capital invested. Systems of management such as these which are related to the relations of production and the social system are radically different under different socio-economic systems.

We now say that our enterprise management is relatively backward. This is a fact. However, we should make a concrete analysis of this question: In which fields do we lag behind? It should be said that we lag behind others mainly in the organization of productive forces, and fail to suit

the objective requirements of modernized production. In this respect, we must make great efforts to draw lessons from the advanced experiences of the world, to assimilate, signify and adapt them for our use; at the same time, we must continuously sum up our experiences, create management theory and methods with Chinese characteristics, and make our own contributions to enriching and developing the science of management. In the management of the relations of production, it would be wrong to say that we are backward. Although our work is still far from perfect in this sphere, from the point of view of historical development, we are undoubtedly ahead of capitalist enterprises and moreover, our management of the relations of production has great vitality. The problem facing us at present is how to sum up our own experience and gradually establish a set of Chinese-style, modern socialist management systems for enterprises.

The overall reorganization of enterprises requires the gradual construction of a set of scientific and civilized management systems. What is the actual meaning of the adjectives "scientific and civilized" used here? I would like to discuss in brief my personal understanding of this matter in the following paragraphs.

Put simply, scientific management means management consistent with objective laws. What are the objective laws governing enterprise management? Let us make an analysis of these objective laws in the light of the Marxist principle that enterprise management has a dual nature. These objective laws consist of two aspects: on the one hand, they must be consistent with objective laws of nature in terms of the organization of the production process and the three factors of productive forces (manpower, the means of labor and objects of labor). Metallurgical production uses technical processes natural to metals while textile productions uses technical processes natural to fibres. There do exist objective laws governing the matter of how to rationally organize the activities of the three factors of the productive forces so as to enable them to function in the most economical and effective way. If we act in accordance with these objective laws, the economic results we produce will be good. If we run counter to them, our economic results will be poor. On the other hand, the production and operational activities of the whole enterprise must also accord with socialist economic development, and the objective laws governing socialist relations of production, including the basic laws of socialist economy, the law of planned and proportional development, the law of distribution according to work, and so on. These laws are similarly objective. If we act in accordance with them, the superiority of the socialist system will be expressed more fully and the rapid development of the socialist economy will be promoted, but if we run counter to them, economic development will be hindered. The aim of the reform of the economic management system which we are now carrying out is to further arouse the enthusiasm of enterprises and their staff and workers. The reform of enterprises' macroeconomic management will inevitably mean effecting a corresponding change in their microeconomic management.

Civilized management, as I see it, means the embodiment of material civilization and socialist spiritual civilization in the management system. The modernization of production techniques calls for the appropriate modernization of management organization, methods and means. All this is related to material civilization. At the same time, in order to embody socialist spiritual civilization, enterprises must promote ordered production and work, and strict and impartial work discipline, pay attention to sanitation and hygiene, make great efforts toward environmental protection and attach importance to the health of staff and workers and to safe production. In addition, what is even more important is to foster among the staff and workers of socialist enterprises the spirit of being the masters of the country, loving socialism, loving the motherland and the collective, helping each other in unity, stressing manners and morals, and so on.

A socialist enterprise is a relatively independent economic body but also the basic unit of the whole national economy. Every enterprise shoulders certain tasks of commodity production in accordance with social division of work and has its own system of production techniques; at the same time, it constitutes a component part of the greater system--the whole national economy--and has various ties both direct and indirect with other departments of the national economy, other enterprises, and consumers and users. Therefore, scientific enterprise management must be systematic. So far as the internal departments of enterprises are concerned, the various types of management work must form a scientific system rather than each doing things in its own way: as for the external relations of enterprises, this system must adapt itself to the management system of the whole national economy so that the "cells" and the whole economic "body" will be organically integrated together.

The document of the CPC central committee and the State Council on carrying out the overall reorganization of state owned enterprises pointed out that enterprises must carry out overall management planning among the internal departments of enterprises and must at the same time continue to carry out overall quality control and business accounting under the guidance of the state plan. The document further stated that the training of all staff and workers must be integrated with the assessment and promotion of personnel and the adjustment of wages, and so on, such that a set of overall personnel administrative systems would be established and perfected. The overall management planning, overall quality control, overall business accounting and overall personnel administration mentioned here in fact already form an outline of the management system of socialist enterprises. I would like to discuss my sketchy understanding of the four "overall" managements below.

First, establish an overall management planning system with the fulfillment of the state plan and the satisfaction of social demands as its objective.

It is well-known that in capitalist countries social production as a whole is anarchic, but in the internal departments of enterprises there is

thorough and strict management planning. This is an inevitable phenomenon under the private ownership system and moreover an important reason for the repeated occurrence of crises in the capitalist economy. Some capitalist countries have now also adopted microeconomic planning to control and influence enterprises. But the existence of the private ownership system foils their efforts to ensure the planned and coordinated development of social production.

On the basis of the public ownership system, a socialist country can and must operate a planned economy and develop production in a planned and proportional way. This is an important expression of the superiority of the socialist economic system. However, the sort of planning and management systems we operated in the past adopted overconcentrated methods. In state-owned enterprises, all production tasks were assigned by the state to the enterprises in the form of planned targets issued as commands; products were subject to state unified distribution and materials to state unified allocation and transfer; and other matters relating to production, such as labor, wages, the welfare of the staff and workers, equipment, technology, funds and so on, were arranged according to the state plan. Almost all activities of enterprises were arranged directly by the state, with little decision-making power left to the enterprises themselves. The advantages of such planning and management systems was that the plans of the enterprises and those of the state formed a single whole. However, since national economic activities are very complicated, it cannot be wholly appropriate for the state to directly distribute all products regardless of their importance and direct all matters, big or small; on the other hand, without a certain amount of decision-making power, it is impossible for enterprises to give full play to their initiative and enthusiasm in the operation of production. This is extremely harmful to the development of productive forces. While carrying out the present structural reform, we must on the one hand, uphold the operation of planned economy under socialism, and on the other hand, restructure the management planning system in accordance with the principle of "small freedoms under a big plan." In future, state planning will consist in the integration of targets issued as commands and those issued as guidelines. With the prerequisite of ensuring the fulfillment of the tasks issued as commands, and using the tasks issued as guidelines as a reference, enterprises should work out their own production plans based on the needs of the market. This will ensure both the state's centralized unified leadership and the flexibility of the enterprises, better meet social needs and display the superiority of the socialist system.

Since a socialist country operates a planned economy, though an enterprise has relatively independent decision-making power, it still carries out its production and operational activities under the guidance of unified state planning. Therefore, in essence, the management planning of the internal departments of socialist enterprises must be more well-conceived and perfect than that of capitalist enterprises. It must suit not only the requirements of the socialized mass production of the enterprises' internal

departments but also the requirements of the state's planned and proportional economic development.

Establishing an overall management planning system in the internal departments of enterprises is aimed at improving the planning of the enterprise's management and further perfecting the socialist planned economy.

What is the difference between so-called overall management planning and the management planning of the past? They are different in the following ways:

1) Overall management planning requires all departments and all jobs within enterprises to be planned.

In the past we learned experience in management from the Soviet Union. We instituted an economic planning section in every enterprise, which organized the various departments to draw up the "production, technical and financial plans" of the enterprise. This could be called a relatively comprehensive plan. With the production plan as the center and through achieving an overall balance, it made the yearly and quarterly arrangements for the needs of such things as the supply of technology, marketing, transport, financial affairs and costs. After the "Cultural Revolution," this overall plan was weakened and even abolished. Most enterprises paid exclusive attention to the production plan. Even if there were other plans, these plans were worked out by each of the internal departments of enterprises in its own way without striking any overall balance, so they failed to fulfill the function of an overall plan.

Although the previous "production, technical and financial plans" involved the major aspects of the work of enterprises, such as production, technology and financial affairs, it was not fully comprehensive. For example, the improvement of product quality was listed as a necessary part of the technical and organizational plan rather than being listed as an independent plan. Because the products were subject to state unified distribution, as far as enterprises were concerned the work of marketing was quite simple and there was no need for them to work out any individual plan.

While establishing overall management planning as proposed now, we must, on the basis of our experience in working out the "production, technical and financial plans," draw up a more comprehensive overall plan and urge all the departments and all the work of enterprises to have a long-term program, a yearly and quarterly plan and a plan of work progress similar to a production and operational plan, just as we do with production. If these plans cannot be reflected by data, they must contain projects, requirements and rate of progress. These plans must be balanced in an overall manner so that all types of work can be coordinated and harmonized.

2) Overall management planning requires bringing the whole process of production and management in an enterprise in line with the plan.

The whole process of production and management in an enterprise is wider in scope than the process of production. In the past, the plans of enterprises were completely determined by the state, and the supply of materials, the sale of products, production funds, the means of production, manpower and other conditions were all handled by the state. As a result, the enterprises were reduced to being pure production units and there was no need for them to take the question of operation into account on their own initiative. Structural reform has brought about great changes. Under the guidance of the state plan, the enterprises have their own decision-making power over their operation, and the quality of their achievements in production and operation has a bearing on their economic interests. Therefore, enterprises must change the pattern of pure production into that of production and operation and grasp the whole process of production and operation on their own initiative. In other words, enterprises must formulate correct policies regarding the whole process of production and operations: This process must be based on information regarding preparation of such production conditions as raw and semifinished materials, power, production equipment and manpower, organization of the process of production, marketing of products, after-sale services for consumers, market research, an understanding of the changing needs of consumers and users, scientific research and experiment, the development of new products and the opening up of new roads in production. They must then organize the various kinds of work into a plan and use it in implementing policies. Only this sort of management planning of a whole process can be called overall management planning.

Over the last three years, due to experimentation in expanding the autonomy of enterprises and developing the supplementary role of regulation by market mechanism, and particularly, because some enterprises were given insufficient production tasks during the course of the economic readjustment, many enterprises [words indistinct]

Some enterprises have established marketing setups to strengthen the work of marketing and consumer services; some enterprises have amalgamated the marketing setups and planning bodies and, based on the need to satisfy social demands and taking marketing-to-production as the main line, have worked out an overall plan for the whole factory; other enterprises, such as the Shoudu Iron and Steel Company, have turned the control of production into that of production and operation, and not only control the process of production but also exercise overall control over the supply of materials, marketing of products, payments for goods, income and expenditure and turnover of capital in accordance with their plan. These instances show that with structural reform, profound changes have taken place in the management of China's industrial enterprises. However, this is only a good beginning. Only when the whole process of production and operation of enterprises is planned on the basis of these experiences can the economic effect of production and operation be further increased.

3) Overall management planning means that all plans are implemented at all levels and in all work and that management planning is carried out by all staff and workers.

If plans are to be more than just idle theorizing, every single "plan" must be implemented down to grass roots level and to each individual and must become the program directing their actions. To attain this goal, apart from encouraging all staff and workers to take an interest in planning and to participate in the formulation of plans one important task is to divide the plan itself into smaller plans according to the principle of "ensuring the long-term plan with the short-term one and the big plan with the smaller one." In other words, we must use short-term plans to ensure the realization of the long-term plan and use smaller plans to ensure the realization of the big one. We must in future always work out our production plan in this way: After the annual production plan of the whole factory is determined, it is necessary to draw up quarterly and monthly plans and then to divide them into daily and even hourly production and operational plans; in terms of space, the plan for the whole factory must be divided into plans for workshops, production teams and groups, and even into plans for every production post and every individual worker. Only by implementing these small plans can we ensure the realization of the general plan.

In the past, other plans were not handled in this way. Overall management planning requires dividing all plans as far as possible into short-term plans and plans for production units, just as the production plan is dealt with. For example, the plan for the supply of materials can similarly be divided into smaller ones so that every purchasing agent has his own monthly, fortnightly and even daily programs.

Some comrades might suspect that if all plans are handled in this way, the workload of planning will be excessively heavy. In fact, it is possible for [indistinct] the internal department of [indistinct] to work out the divided plan. It is not impossible for all people to set to work to gradually develop the plans from rough drafts to detailed programs. It will become more possible once we have the conditions to gradually adopt certain modern methods.

To sum up, overall management planning basically consists of the following main points:

- 1) Under the guidance of the state plan and in the light of the investigation and study of social demands (including the tasks issued as commands by the state), an enterprise makes long-term and annual decisions on its operations.

- 2) In accordance with long-term operational decisions, an enterprise draws up its long-term development program, including a plan for technical transformation.

3) In accordance with the annual operational decisions, an enterprise draws up an annual draft "marketing-to-production plan" and makes a forecast of economic results.

4) With the draft of the "marketing-to-production plan" as the main line, an enterprise formulates the annual tasks and targets of its various jobs and by means of an overall balance, finally determines its "marketing-to-production plan" and other plans, and combines them into the "overall economic plan" of the enterprise.

5) The "overall economic plan" should be divided into quarterly and monthly plans and into plans for the various grass roots units; then the various departments and grass roots units should further divide these into more detailed plans and implement them down to every production or other work unit.

6) Apart from carrying out the abovementioned plans, in order to improve and raise the quality of work, all departments, grass roots units and production units are encouraged to separately formulate a "work improvement plan," that is, to formulate the goals and measures for improvement and its stages and rate of progress and to check on its implementation and results according to the rate of improvement. After improvement has been made, a plan for a higher target can be worked out.

7) Overall management planning also means management planning with the participation of all staff and workers. In order that everyone is concerned with and carries out planning, it is necessary to fully arouse the masses and rely on them to work out the plan democratically so that it will become their own, and to foster the practice of acting consciously in accordance with the plans.

(This subject is to be continued in the next issue.)

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON SUCCESSFUL COUNTY-RUN INDUSTRY

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[Article by Guangdong Provincial Government Economic System Reform Office: "Why Can Qingyuan County Industry Get High Returns?"--passages in slant-lines denote boldface as published]

[Text] The reform of the economic system in Qingyuan County since October 1978 has brought in three main issues. One is the introduction of an award organized by the county economic committee for county industrial enterprises that exceed the planned profit quota. The second is the scrapping of five industrial administration departments and introduction of direct control of industry by the county economic committee. The third is that on the basis of the award given for profits above the planned quota, the county economic committee is introducing financial responsibilities, increasing work responsibility and above-quota share-outs. The above-quota profits award in Qingyuan County got a mixed reception after its introduction and even today opinions vary. After 3 years has the economic efficiency of Qingyuan County improved or dropped? What can be learned from their experience? What areas still need more thought and examination? In order to answer these questions we recently went to Qingyuan County and carried out some initial research into the situation there.

//1. Qingyuan County is the "flag bearer" for the whole province in terms of high industrial efficiency.//

In Qingyuan County there are only 17 enterprises with 5,000 employees. Before the county-run industrial system was reformed economic returns were extremely poor. In 1977 total output value stood at 28,253 million yuan. From 1975 to 1977 the annual average increase in total industrial output value stood at 0.26 percent. Profits from industry in 1975 were 1.3051 million yuan, in 1976 118,600 yuan and in 1977 313,000 yuan. In the 4 years since the reform of the county-run industrial system, economic returns have been extremely good. Let us first take a look at the industrial figures for 1978 to 1981 in Qingyuan County both in terms of the speed of economic development and economic returns.

(1) Total industrial output value: 1978: 34.9375 million yuan; 1981: 42.7311 million yuan; an average annual increase of 6.95 percent, while the increase in 1981 over the previous year was 15.5 percent.

(2) Industrial profit: 1978: 1.212 million yuan; 1981: 9.2679 million yuan, making an average annual increase over the 4-year period of 97 percent, 14 times the annual increase in output value for the same period.

(3) Profits remitted to the state: In 1977 county-run industries lost 313,000 yuan and the department of finance had to step in and reimburse the losses. In the 4-year period from 1978 to 1981 annual profits handed over to the state increased by an average 79.2 percent, 11.4 times more than the increases in output value for the same period. In 1981 profits handed over to the state were recorded at 1.9902 million yuan, an increase of 32.68 percent over the previous year.

(4) Newly-increased fixed assets: In the 4 years from 1978 to 1981 newly increased fixed assets stood at 6.147 million yuan, an average increase of 6 percent each year. By 1981 the original value of fixed assets had reached 38.384 million yuan, an increase of 5.1644 million yuan over the previous year.

(5) The output value profit rate and fixed capital profit rate in relation to 15 economic and technological indices for the rate of decrease of production costs in county-run industries in Qingyuan, are higher than the average level for state-run industries throughout the province, or occupy first place in relation to county-run industrial enterprises of the same throughout the province (see Table 1).

We selected nine other counties in which the scale of county-run industry approached that of Qingyuan and in which economic returns were fairly good to compare with Qingyuan County. These counties were Qieyu, Gaozhou, Xingning, Enping, Nanxiong, Yunfu, Jiayang, Chaoan and Huiyang. According to the provincial financial department's statistical reports, the average annual increase in total industrial output value for county-run industries stands at 1.1 percent for the 4 years from 1978 to 1981. Actual profits shrank by an annual average of 4.1 percent (see Table 2). However, the total annual industrial output value of Qingyuan County over the same period increased at a speed 6.3 times that of the rate of increase of industrial output value for the other nine counties and actual profits were 3.25 times those of the county-run industries in the other nine counties.

The above figures clearly illustrate that not only has the industry in Qingyuan County made up its losses and achieved profits but the county has now become the flag bearer for the whole province in terms of highly efficient county-run industry.

//2. The reasons for the highly efficient running of industry in Qingyuan County.//

Why has the county-run industry in Qingyuan County achieved such good results? First, the reform of the economic system played a large role

in the situation. Second, economic work was improved, and ideological and political work was strengthened. These two main facts may be linked together to produce five major reasons.

1) The Qingyuan County CPC Committee has proceeded from reality to objectively clear the path of hindrances and has reformed the county-run industry system. Despite complications and difficulties they continuously carried out their tasks, without hesitation, reticence or retreat. In the reform of the industrial system, they maintained the basic stability of the government's economic policies and increased the enthusiasm in economic committees, enterprises, and among staff and workers. One of the most important lessons learnt from the reform of the industrial system in Qingyuan County was the practice of combining the responsibilities, powers and interests with rewards and penalties at every level of the economic responsibility system.

2) According to the policies of the county's party and government leadership organs, the county economic committee issued different kinds of instructions to its subordinate enterprises. The county economic committee divided up 17 enterprises into 6 main types for carrying out concrete instructions. One type was selected due to the county's rich raw materials for sugarcane and ceramics, and thus big efforts were made in this type of enterprise to grasp technological transformation and the necessary expansion of construction to develop the sugar, paper, building materials and ceramics industries in a big way. The second type was made up of enterprises where product sales were stagnant and which timely shifted to other modes of production. When an industrial ceramics factory changed its production to glazed tiles, they regained all their losses and brought new life to the enterprise. The third type was the 'starving' mechanical and electrical enterprise which quickly made some changes to its service orientation and improved its product quality. Within this group the agricultural machinery factory and machinery factory both made profits many times over. The fourth type included those enterprises with fairly normal production which vigorously grasped tapping potential, renovating and restructuring. The fifth type included enterprises with products not very well suited to the open market. In this section, the product structure was readjusted and varieties increased, thereby increasing their competitiveness. The sixth type included those enterprises which had serious shortages of fuel or raw materials and here there were link-ups between supply and marketing relations.

On the basis of issuing directives on a divisional basis such as this, the county economic committee fully brought into play the coordinated balance in the organization of the enterprises' supply, production and marketing, and hence avoided blind administration of the enterprises.

3) The system of economic responsibility on each level within the enterprises was perfected. Planned targets were adapted according to the characteristics of each separate enterprise. An example might be the phosphate fertilizer factory which set up a small target breakdown with production costs as the central feature, recorded rewards for the

multi-level system of economic responsibility from the factory floor to the laboratories, set up detailed production targets and systems of personal responsibility and strict checking standards and reward and penalty systems. Based on original records, the production records for each day were checked and at the end of each month, reward achievements were recorded. As far as the checking standards for the factory leadership was concerned, it involved detailed checks three times a week on factory production and other work. At the end of each month product stores were not allowed to exceed 3 day's worth of production, otherwise bonuses were cut for four of the factory leaders.

4) Uphold tapping potential, renovating and restructuring, and take the road of expanded reproduction by intension. This was another way in which the county-run industries in Qingyuan County were able to improve efficiency. In 1981, Qingyuan's total investment in tapping potential, renovating and restructuring industries in the county amounted to 9.6 million yuan (including 5.6 million yuan payment for goods). In all, 225 sets of equipment were introduced, new factory space construction measured 18,000 square meters, 113 renovation projects were completed, 7 out of 15 major technological transformation programs were completed, successful-trial production of 15 new product varieties was carried out, thereby bringing output value for that year to more than 13.5 million yuan and increasing profits to more than 2.3 million yuan, while tax revenue stood at 4.04 million yuan.

5) Economic activities were closely coordinated, and ideological and political was stepped up. The county economic committee lay a great deal of importance on ideological and political work and set up a political work section. In strengthening ideological and political work they concentrated on four main things. One was party administration by the party. Frequent opinion sessions were held for cadres and workers together, rules and regulations were strictly adhered to and everyone was urged not to adopt a "money-oriented" attitude, and the exemplary role of the party cadres was stressed. The second area of concentration was the setting up of the leading bodies of each enterprise. It was important for the main leaders to demonstrate support for socialism while carrying out their work in production administration as well as making social results a prime concern and the raising of economic returns of vital importance. Third, there was a need to tackle the training of financial statisticians, making sure that they were good "housekeepers," and making them the county economic committee's sentries. Fourth, it was important to set up a healthy staff and workers' congress system under the leadership of the enterprise party committee, thereby giving full reign to the role of staff and workers' congresses, and workers', youths' and women's mass organizations.

//3. A look at several problems.//

(1) The question of giving due consideration to the state, the enterprise and the individual.

Some people say that "while Qingyuan County may have high economic returns, the state gets very little of it." This question needs analysis and then comparison in order to answer it.

In terms of analysis, we should first analyze the real profits for 1981 which totalled 9.2679 million yuan.

(I) Total amount within the system of responsibility handed over to the country finance department was 1.65 million yuan; of surplus profits by the end of the year 340,200 yuan was handed over to the county finance department. Totalled together, the county finance department actually received 1.9902 million yuan.

(II) Returned loans for technological measures were 1.3977 million yuan.

(III) Excluding the price of sugarcane, subsidies measured 233,100 yuan. Sugarcane profits stood at 93,800 yuan, and together they total 326,900 yuan.

(IV) According to provincial government regulations the nitrogenous fertilizer factory fixed quota subsidies stood at 400,000 yuan and total profits reached 1.6025 million yuan for the factory. The combined total was 2.0025 million yuan.

(V) The above-quota profits at the year's end in the county economic committee stood at 510,400 yuan.

(VI) The above-quota profits at the year's end for the enterprises stood at 1.2266 million yuan.

(VII) Bonuses for monthly above-quota profits totalled 1.8136 million yuan in enterprise.

If one only considers item (I) as gain for the state then it is indeed a small amount. In fact, though, items (I) through (IV) all fall into the category of gain for the state, totalling 5.7173 million yuan making up 62.1 percent of total actual profits. The returned loans for technological measures are treated as compensation profits with the permission of the department of finance while the subsidies excluding the price of sugarcane, as well as the returns on profits are all treated as compensation profits in accordance with regulations agreed upon by the entire provincial government. All the enterprises in the province carry out their business in accordance with these regulations. The fixed-quota subsidy for the fertilizer factory was originally an item of payment estimated by the county financial department and the entire profits from the factory went to the enterprise, this being agreed upon and in accordance with regulations throughout the province.

Item (V) actually represents 5.5 percent of the real profits for the county economic committee and the entire amount is used for enterprise production analagous to the nature of the development funds of combined production.

Item (VI) represents enterprise income and makes up 13.23 percent of actual profits.

Item (VII) represents employees' individual wages and makes up 19.52 percent of actual profits.

According to the above figures, the division of profits for the 3 years from 1979 to 1981 are as follows:

1979 -- State received 61.7 percent (including items (I) through (IV); same hereafter), enterprises received 20 percent, employees 18.3 percent.

1980 -- State received 67.8 percent. County economic committee 4.5 percent, enterprises 8.09 percent and employees 19.62 percent.

1981 -- State received 62.1 percent, county economic committee 5.5 percent, enterprises 13.23 percent and employees 19.52 percent.

Thus the division of profits of industry run by the county in Qingyuan means that each year the percentage received by the state represents above 60 percent of the total actual profits. In our opinion this is satisfactory for the state's financial revenues and also upholds the principle of giving consideration to the state, the enterprise and the individual.

Now we should compare, for only by comparison can we make distinctions. Let us take a comparative look at the figures for county-run industry, profit division and financial revenue for the nine counties mentioned above:

Items	County-Run Industrial Enterprise Profits (Million Yuan)	Remitted to Finance Department Amount (Million Yuan)	Percentage of Profits	Retained by Enterprise Amount (Million Yuan)	Percentage of Profits
Total for 9 Counties	1.3813	1.337	9.7	7.846	56.7
Qingyuan County	9.2679	1.9902	21.5	1.226	13.2

Items	Share of Principal Departments Amount (Million Yuan)	Percentage of Profits	Employees Reward Amount (Million Yuan)	Percentage of Profits
Total for 9 Counties	1.022	7.4	2.058	14.9
Qingyuan	0.510	5.5	1.813	19.5

According to the above table the amount of profits handed over to the finance department by Qingyuan Count, stands at 1.9902 million yuan, while the total amount of the other nine counties is 1.337 million yuan. These figures still include several variable factors. According to the constant nonvariable figures excepting the 8.529 million yuan of the nine counties made up by subsidies excluding the price of sugarcane, profit returns, returned loans for technological measures and various other items of payment to the finance department, there is not a single cent left from the county-run industries to hand over, and furthermore the county finance department still needs to draw on 5.624 million yuan from reserves.

From such a comparison we must draw the following conclusions: Although the economic returns of Qingyuan are indeed high, this does not mean that the amount received by the state is little. In 1981 the actual profits reaped by the county-run industries of Qingyuan County stood at 9.2679 million yuan, less than the 13.831 million yuan actual profits of the other nine counties added together. Profits from Qingyuan County received by the finance department stood at 1.9902 million yuan, while not only were there no profits from the other nine counties to be handed over, but furthermore the county finance department had to draw on 5.624 million yuan from its funds.

(2) Concerning the question of bonuses.

Some people say that "Qingyuan's economic efficiency is related to the fact that workers bonuses are too high." Whether or not this is true may be seen from the figures.

In 1979, bonuses taken from the over-target profits stood at 716,200 yuan making an average 10.79 yuan per month per person, and together with all other bonuses thus makes 16.79 yuan.

In 1980 bonuses taken from over-target profits stood at 1.0638 million yuan. Taking actual concrete figures of 930,500 yuan, this makes an average 13.69 yuan per person per month, in total 19.69 yuan per month per person.

In 1981 bonuses taken from over-target profits stood at 1.8136 million yuan and on the basis of 1.4209 million yuan, this makes 19.84 yuan per person per month, in total 25.84 yuan per person per month.

//Comparative Table of Realistic Bonus Increases for Workers and Increases in Real Profits of Enterprise as Well as Increases in Profits Remitted to the Finance Department//

	1979	1980 Increase over 1979	1981 Increase over 1980	1981 Increase over 1979
Increase in Profits	100	27.5 percent	71 percent	118.1 percent
Increase in Amount	100	36.3 percent	32.7 percent	82.6 percent
Remitted to Finance Department				
Increase in Bonuses	100	17.3 percent	31.0 percent	53.9 percent

This table illustrates clearly that the increases in actual profits and the amounts received by the department of finance are in fact greater than the increases or rates of increases in bonuses for workers.

Two questions need to be considered in examining the introduction of bonus schemes in Qingyuan County for over-target profits. One is that it is very difficult to set with any accuracy the target for planned profits. If it is set too high it may dampen enthusiasm within the enterprise and among the employees and if it is set too low then it may effect the increase in state revenues. In 1980, on the basis of the bonus scheme for over-target profits, the county economic committee made itself fully responsible to the county finance department for the profits and all surplus was returned to the enterprise and the county economic committee. In 1981 there was a change to a scheme of profit responsibility and yearly increases. Thus in 1981 profits were 1.65 million yuan, an increase of 10 percent over the previous year. In 1982 they are to be 1.8 million yuan, an increase of 9.1 percent over the previous year. In 1983 they are planned to be 2 million yuan, an increase of 11 percent over the previous year. Of the surplus revenue, some will first be returned as payment for goods and after this 50 percent will be channelled back into the enterprise and another 50 percent will be deducted, (except for subsidies for nitrogenous fertilizers) as subsidies for weaker enterprises and as payment for profit returns for the sugar factory as well as other subsidies. The remainder will be divided 60:40 between the county economic committee and the county finance department. This way, it is hoped, will prevent the tendency towards underattainment of the profit targets, while at the same time ensuring the stability of the policy distribution between the state, the enterprise and the individual. Furthermore, it guarantees yearly increases for the revenues of the finance department as well as activating the

enthusiasm of the county economic committee, the enterprise and the workers to increase their profits. Nevertheless when the monthly and seasonal profit targets have been made known to the enterprise by the county economic committee, it is inevitable that sometimes targets will not be reached. If enterprises carry out monthly surplus and monthly bonus schemes then, if a month in which the target is not reached is not deducted, this could mean that it would be very easy for the total bonuses of some enterprises to be over the limit set down by the guidelines for the whole year. For this reason we feel that this monthly scheme should be arranged with a seasonal balance and at the end of the year all figures are totalled up and thus there will be more deductions than subsidies necessary. In addition to all this, while there exists a bonus for over-target profits, the question of whether there should be a composite bonus based on the standard of the total amount of wages is also worth consideration.

(3) The question of forming the organizational structure of industrial management.

In April 1979 Qingyuan County got rid of various sections, including the industrial department, communications department, agricultural machinery department, ceramics department and the second light industrial department. All of these then came under the direct administration of the county economic committee. The number of employees in administration dropped from 146 to 81. This was extremely good for simplifying the administrative structure, improving work efficiency and thinning out the number of people in positions of leadership.

However, when one considers the situation on a provincial, regional and urban basis along with neighbouring counties which have not undergone such changes, one can see that the reform in Qingyuan County has met with considerable problems. For example, after the dropping of the communications department, a communications division was set up in the county economic committee to administer water transportation, shipping, loading and unloading, regional aviation, regional highways, ports, safety supervision, motor vehicle transportation, and so on. But, because the names in the new body did not tally with those of the provincial, regional, urban and neighbouring counties' communications and transportation departments, there was considerable trouble in working between the two. The eradication of the second light industry department meant the establishment of the second light industry company, in charge of 18 factories on the internal scene, but externally it had trouble in exercising its powers. Thus the only way out for the county economic committee of Qingyuan County was to adopt more flexible work methods and as of the start of this year the communications department and second light industry department's names were reintroduced, although for internal matters of administration over enterprises, they are still the communications division and second light industry company. We feel that relevant departments and offices should give necessary support to the reform of the organizational structure of county-level industrial management to permit the smooth completion of this process.

The present situation in Qingyuan County suggests that the reform of the economic system has proved successful. The problems solved by the reform are two in number. One is that it has succeeded in stimulating enthusiasm, the second is that it has been able to put life into the economy. As to whether or not such enthusiasm can really be activated and whether such life can be instilled into the economy, we must take a look at the level of skill and efficiency of the leaders and commanders of the entire project.

In all, Qingyuan County has 17 county-run industrial enterprises and after the reform of the economic system, most of the enterprises saw rises in efficiency, although there were three enterprises which did not enjoy such rises. For example, the Qingyuan ceramics factory is still making continuous losses. The reason for these losses is not in the structure of the system but in the instability of the leadership of the factory. If administration is bad then the system of economic responsibility within the enterprise cannot be successfully put into practice. This is also true for county-run industries in Qingyuan--even though the system may be good, there is also a need to carry out good, thorough work throughout the enterprise and continue to strive to raise the level of economic and political work. On the basis of statistics, there are 63 counties and municipalities which can learn from the experience of Qingyuan County of economic system reform. If we take a general look at the situation it is true to say that all of them have profited from these lessons. Nevertheless the majority of enterprises in these counties and municipalities still do not have anything like the economic efficiency that Qingyuan has. The reason does not of course lie in the economic system but in the fact that the level of their economic and political work has still not caught up. We feel that the experience of Qingyuan in reforming its county-run industrial system is very good and that there is a need to continue this work. As far as the problem of teaching the reality of their experience to others is concerned, it is necessary to learn the details of the Qingyuan experience in actual economic system reform as well as its economic and political work experiences. Thus these are the lessons we can learn from the 4 years of economic system reform in Qingyuan County.

Table 1 -- Comparative table of economic targets for Qingyuan County industries and Guangdong Province state-run industries for 1981.

<u>Target</u>	<u>Industrial (Including Second Light Industry System) Percentage Increase in Total Output Value Over 1980</u>	<u>State-Run Industry Percentage Increase in Total Output Value Over 1980</u>
Qingyuan County	18.70	15.45
Provincial Average	11.41	7.42

[Table 1 continued on following page]

[Table 1 - continued]

<u>Target</u>	<u>State-Run Industry and Enterprise Percentage Increase in Net Profits Over 1980</u>	<u>Percentage Increase in State-Run Industry Profits Received by Department Finance Over 1980</u>
Qingyuan County	71.00	36.68
Provincial Average	6.88	

<u>Target</u>	<u>Profit of Each 100 Yuan of Output Value (Yuan)</u>	<u>Profit for Each 100 Yuan of Fixed Assets (Yuan)</u>	<u>Net Output Value for Each 100 Yuan of Fixed Assets (Yuan)</u>	<u>Production Costs of Fixed Products in Comparison to 1980 (pct)</u>
Qingyuan County	21.67	24.14	166.20	minus 4.48
Provincial Average	10.14	13.10	129.20	0.70

Table 2 -- Comparative table of economic efficiency of Qingyuan County and the other nine counties discussed.

	<u>Total Output Value</u>		<u>Actual Profit</u>	
	<u>Nine Counties</u>	<u>Qingyuan</u>	<u>Nine Counties</u>	<u>Qingyuan</u>
1978	398.487	34.9375	15.689	1.212
1979	357.425	37.915	12.435	4.25
1980	491.191	37.014	13.898	5.42
1981	412.205	42.7311	13.831	9.2679
Average Annual Percentage	1.1	6.9	minus 4.1	97.0

[Table 2 continued on following page]

[Table 2 - continued]

	Amount Remitted to Finance Department		Fixed Assets	
	<u>Nine Counties</u>	<u>Qingyuan</u>	<u>Nine Counties</u>	<u>Qingyuan</u>
1978	4.564	0.346	273.494	32.234
1979	minus 2.06	1.09		
1980	minus 1.508	1.5		
1981	1.337	1.99	301.728	38.384
Average Annual Percentage			(new increase 28.234)	(new increase 6.147)

NOTE: In 1981 the other nine counties had a total of 182 enterprises, with employees totalling 62,076. Qingyuan County had 17 enterprises with 5,969 employees.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON ENTERPRISE ECONOMIC FILES

HK180851 Beijing JINGJI GUANLI in Chinese No. 7, 15 Aug 82 pp 15-18

[Article by Wang Hua [3769 5478] and Jiang Xianzhou [3068 0341 0719] of the capital construction department of Liaoning Financial College, Dalian: "Setting Up Economic Files on Enterprises is an Important Measure for Doing a Good Job in Loan Work--Investigations of the Financing Department of the Qingdao Municipal Branch of the Construction Bank"]

[Text] The financing department of the Qingdao branch of the Chinese People's Construction Bank was formed in March 1979. Since its formation, it has provided loans for more than 10 kinds of special construction items. Including small technical loans, loans for the export of special items of industrial products and loans for importing foreign technical equipment with complete parts made in China. It has approved 228 items with total funds coming to 133.93 million yuan, of which 18.57 million yuan were raised by the department itself. Up to the end of November 1981, the department had lent 94.59 million yuan and recovered 55.81 million yuan. Not counting the bad loan losses from other units the loan recovery rate is more than 70 percent. Loans provided to light industry and the textile industry made up more than 80 percent of the total loans approved and consequently, this department has executed well its role as an economic lever for developing the light and textile industries in the city of Qingdao and in meeting market demand both at home and abroad. One of the main reasons for this department achieving better results in providing loans is that over the past few years, the staff of this department have carried out in-depth investigations and studies of enterprises and formed enterprise economic files to grasp first hand data.

I. The Demands of Practice

Without understanding the whole situation, it would not be possible to become active in providing loans. The orientation in supporting various special loan items includes developing famous brand products and products that are in short supply, meeting market demand and increasing exports. Therefore, whether the proposed construction items accord with the conditions of financing depends on the trade to which the construction items belong, the situation of the region where the construction is carried out and the situation in the production and management of the enterprises

concerned. In the past, the bank was not familiar with the conditions in various trades, regions and enterprises and because the time needed from projects handing in applications to checking and approval was very short, the bank was consequently in a very passive position when checking and approving the projects with the departments concerned. For example, the Qingdao municipal No. 5 plastic factory applied for a 150,000 yuan loan for expanding a workshop that was producing all plastic washing machines. According to planning, after expansion, the factory would be able to produce 12,000 washing machines annually, with annual output value coming to 1.8 million yuan and an annual tax of 168,000 yuan. The higher leadership concerned supported and approved this project. The bank had no opinion and granted the loan. Later, the production of the washing machines was carried out hastily, product quality was low and the selling price was high. Consequently, the washing machines were unsellable and the factory was compelled to turn from producing washing machines to producing only the inner linings for the machines. The factory repaid the 150,000 yuan loan after it had borrowed money from other units.

Things often go against our will when we do not understand market situations. The Qingdao neo light factory lost money because the damage rate of neon tubes bought from other places was very high. In 1980, the Taidong regional industrial bureau asked the departments concerned to help solve this factory's problems. The Qingdao municipal planning commission, economic commission and other departments concerned carried out studies and investigations and decided to build a glass melting furnace in the medical glass factory in the Changgou region so as to produce neon tubes for the factory. The municipal financial bureau and the Qingdao branch of the bank appraised the economic efficiency and repaying capability of the project and decided to provide a 225,000 yuan loan. The products of the project were semifinished and the factory was the user. Therefore, whether the tubes would be marketable or not, basically depended on whether the neon lights made by the factory were marketable. The medical glass factory produced standard neon tubes, but there was an excessive supply of neon lights, and the management level of the neon light factory was very low. Consequently the neon lights produced by the factory were unsellable. As a result, the supply and sale agreement between the two factories was useless and the neon tubes produced by the medical glass factory were stockpiled. The glass factory filed a suit against the neon light factory to the economic tribunal of the Qingdao municipal intermediate people's court and demanded that the latter pay compensation of more than 700,000 yuan for economic losses caused by the stockpiling of the tubes. But it was beyond the reach of the neon light factory to compensate. This case remains unresolved while the 225,000 yuan loan has become overdue. In order to prevent the recurrence of similar cases, the bank has since carried out studies and investigations for gaining information. This measure is an effective way for accumulating data.

Without being familiar with conditions in the enterprises, it is not possible to correctly define the economic efficiency of projects. The loans for

various special project items have the nature of tapping potential and reforming and such loans are provided to and repaid by the existing enterprises. Therefore, the economic efficiency of projects depends on the production situations of the existing enterprises. In their bid to get loans, some enterprises have spared no efforts to explain how high would be the economic efficiency of their new projects and said that they would repay the loans in a short while. As the staff concerned in the bank used not to be familiar with the management and production of enterprises, they were not in a position to make effective proposals with regard to projects. It rested on the units concerned to explain the efficiency of projects, no matter whether the explanation was proper or not. Unable to define the economic efficiency of projects, it was, eventually, risky for the bank to provide loans under such conditions.

Without overcoming shortcomings and showing off advantages it would be difficult for the bank to execute its roles still better.

At present, there are a number of banks providing loans for various special project items. The construction bank is a special state bank that has carried out the business of investing in fixed assets for many years and therefore has more experience in the management of the investment in such assets. But the bank loan procedures were characterised by red tape and there was a lack of understanding between the bank and enterprises and consequently enterprises were reluctant to take loans from the bank. In order to activate financing activities, the bank had to show off its advantages and overcome shortcomings. It had to simplify financing procedures and what is more important, it had to study and investigate enterprises so as to become familiar with and understand the situations of these enterprises. In this way, the bank will be able to execute its role still better.

II. It Was Decided To Do a Good Job in Enterprise Investigations and Set Up Enterprise Economic Files

In order to accord themselves with the development of situations, the staff of the bank visited enterprises to make studies and investigations so as to set up enterprise economic files. To start with in this work, they carried out investigations of the paper manufacturing industry in the second half of 1979 as an experiment so as to get experiences for carrying out financing work in an overall way.

They first of all carried out investigations of various management bureaus so as to acquaint themselves with the history of the paper industry, the current situation and future development plan. Then, with support from various management bureaus, they proposed to inform the enterprises concerned of the investigations to be carried out by the bank so that this work could be carried out smoothly. The investigations were mainly concentrated with light industry and textile industry. Investigations of other trades in the city are also being carried out in the order of the importance of each trade.

Investigations of each enterprise are carried out in two stages.

The first stage is to investigate the enterprise itself and collect data. The first step is to hold discussion in which leading members of the enterprise introduce the history of their enterprise, its current situation and future development plan. The comrades in the bank investigation group spare no efforts to help the enterprise to have a deeper understanding of the bank and to promote the relationship between the bank and the enterprise. Then, they visit various facilities to understand the process of production, visit various administrative departments to understand the situation of production, supply and sales, current production conditions, production potential and the problems that have to be urgently resolved in developing production and the situation of the previous investments. Finally, they investigate and collect the related accounting and statistics data.

The second stage is to compile the data and make files. Following the investigations, the results of this work are discussed and analyzed. The data are compiled into an investigation report in the form of words and tablets. The "small and rapid" projects that are found during investigation are listed and it is suggested that the bank's financing department provide loans to such projects. With the consent of the leadership of the investigated unit and after being checked by this unit's departments concerned, the report is turned into the files of this enterprise. The report is also passed over to the bank's provincial branch.

The contents of investigations include the following 6 points.

1. Investigations of productivity. This part is to understand the quality, quantity, varieties and specifications of the products of the enterprise concerned, its best production level in the previous year and in history, the results of previous investments, planning for future development and the situations of the similar trades at home and abroad.
2. Investigations of the sources of raw materials. This part of the investigations is to understand the varieties, quantity and quality demand of the main raw materials needed by the enterprise. Other purposes of the investigations include supply and consumption norms of the raw materials and advanced norms of the enterprise and of other enterprises at home and abroad.
3. Investigations of the sales of the products. This work is to understand the situations in the sales and marketing channels of various factories, product quality and cost, producer price, product competitiveness and development trend.
4. Investigations in technical equipment. This work is to understand the total value of the fixed assets of various factories, floor space of the factories and building space, the balance between the quantity and efficiency

of main equipment and technical equipment, the potential of the existing equipment and future potential. It is also to understand the equipment of motive power of various factories and the actual need, supply and consumption norms of water and electricity.

5. Investigations in handling the "three wastes." This work is to understand the state standard about discharging waste, the current situations of various factories in handling waste and suggestions as how to solve waste in future.

6. Investigations in management. This part is to understand the norms of staff and workers and their deployment and the proportion between technicians and production staff of the various factories as by the end of 1980; the output value, profits, tax and accumulation of various factories in the previous year. This work also includes understanding the highest level in the history of factories and the advanced level of the same trades at home and abroad.

III. The Situation and Initial Achievements of Investigations

From the second half of 1979 to the end of 1981, the staff concerned in the bank carried out investigations of 105 enterprises, made reports and formed economic files about 35 enterprises and made 5 reports about investigations of trades. These works have opened up a new road for providing and making good use of the loans in special projects, strengthening the scientific nature, activeness and rationality in financing work and guaranteeing that the financed projects will have advanced technology, economic rationality and feasibility in construction.

1. Understand the situation of trades with definite loan orientation.

It is the central task of the bank's financing department to decide how to make use of the loans for various special projects, promote the advantages of Qingdao City and tap the potential of its industries. What are the advantages of the city? Where is the potential? Answers to these questions have been initially found through investigations. For example, the investigations of the knitting industry, garment industry and printing and dyeing industry showed:

The knitting industry is one of the industries in Qingdao that is producing more famous brand products and "fist" [greatly in demand] products. For example, stretch shirts and jeans and chemical fibre sportswear are famous export items. Looking from the point of view of future demand, knitted underwear and shirts will become more popular in the world while the demand in the home market is also growing. Therefore, the knitting industry must be developed. But at the present stage, this industry has the following problems: incomplete technology, the productivity of many enterprises is not balanced and consequently major equipment can only handle less than 50 percent of its capacity, the varieties of products are monotonous while

some products are unsellable; the knitting industry is a small proportion of the textile industrial system and the amount of yarns used by this industry only make up 11.6 percent of total consumption in the city. This figure is not only lower than the figure of 30 percent for Tianjin, which is the highest across the country, but also lower than the national average figure of 15 percent. Workshops of this industry are narrow and equipment is old and they cannot meet the need in the development of production.

In the garment industry, home market oriented garments are generally stock-piled while the tasks for producing export oriented products are not filled because of the lack of materials. Export oriented silk garments are welcomed by buyers at the Guangzhou fair and trading is active. This industry has high equipment productivity which is basically balanced.

The history of the printing and dyeing industry in Qingdao dates back more than 60 years. The city is one of the old national printing and dyeing industrial bases. This industry has a relatively high technical level. Its production output value makes up about 30 percent of the textile industrial system, profits make up about 35 percent and the number of technicians makes up 2.2 percent of the total number of staff and workers. But the width of the cloth produced is narrow and therefore the products cannot meet market demand for wide width cloth; the productivity of famous brand products is too small to form "first" products. This industry is not in a position to meet the demand in home and foreign markets, its products are in short supply with small export proportion. The sewage level in this industry is not up to the state discharging standard.

The data of the above mentioned enterprises showed that these three industries represent advantages of the city. What is to be done by the bank in supporting the development of these trades? In this aspect, it is necessary to treat different trades according to their own specific conditions. 1) To make up for the breach in the productivity of the knitting industry as quickly as possible, carry out new construction and expansion projects and support the industry in increasing the output of famous brand products, increasing varieties and promoting exports in a big way. It is also necessary to renew the old equipment and the warehouses that are in a dangerous condition. 2) To support the printing and dyeing industry in developing its capacity of producing wide width cloth and this support must be mainly concentrated in developing famous products and exports. 3) To control the development of garment industry and support must be given mainly in developing famous brand products, adding varieties and developing the production of silk garments.

2. Those engaged in investigations have developed their understanding of enterprise management and professional level.

Comrades who have taken part in economic investigations said: "Economic investigations are an important way for doing a good job in the financing work of the bank. They have also provided us with a good opportunity for

understanding enterprises, studying the knowledge of management and improving our professional work. The guiding roles of the investigations in financing work are becoming more important and we have experienced benefit from these investigations." For example, in referring to special features in the demand of textiles at present stage, a comrade who has taken part in the investigations of textile industry said confidently: "Customers are concerned about 1) varieties; 2) wide width cloth is more marketable than the narrow width, colored textiles are more marketable than none-colored cloth and thin textiles are more welcomed than the thicker ones and finally, the demand of textiles is highly seasonal." According to his view, our support for the textile industry must be mainly concerned with adding varieties and on this basis, attention must be paid to the width of cloth, colors and thickness and to the fact that the products of textile mills must accord with seasonal changes. Following the investigations of the textile industry, those who are responsible for financing work in the bank are able to make their proposals in defining loan items and with more initiative, the bank now has higher prestige.

3. Have reasons for defining loan items.

Through investigations, the bank is now in a better position to understand the production, supply and sales and various management levels of various enterprises and their positions within the trades and in the market. With enterprise files in their hand, the staff of the bank is familiar with such situations as which of the trades have the most advantages in Qingdao, which are the "first" products of these trades and what is the real potential of enterprises. Consequently, in deciding loan items, the bank is active and able to provide loans on firm foundation. In September 1980, the Qingdao municipal light industrial bureau suggested that the second paper mill be provided with 1.9 million yuan loan for a small capital construction to improve the capacity of producing thin paper. According to planning, the mill will increase production by 2,900 tons, with 6.3 million yuan output value, 1.45 million yuan profits and 630,000 yuan tax. With regard to the application for the loan, the bank checked the files of the paper making industry. Data showed that the supply of raw materials for the paper industry and particularly the supply of wood was very tight. And to increase production capacity by 2,900 tons annually meant that more than 7,200 tons of raw materials would be required and these raw materials were equally composed of wood and grass. This situation showed that whether the project could be carried out depended on the supply of the raw materials. Thus, with this question in mind, the staff of the bank who were responsible for financing, visited the related departments and units to carry out investigations which showed that there were not enough raw materials. The bank decided that the project could not be carried out to avoid blindness in construction.

4. In the interest of solving the problems that crop up in the process of financing.

Capital construction is complicated, therefore even if initial investigations are carried out in the process of checking and approving loan items, problems will inevitably crop up. But the problems that are found during investigations can be resolved because the reasons for such problems can be found quickly. For example, the bank investigation group that is responsible for investigating the textile industry once investigated the Qingdao woollen mill and found that although loans had been provided on three occasions for the construction of a dyeing workshop, more funds were still needed. This loan item was typical of a "fishing" item. The originally approved loan was 940,000 yuan and this figure was later augmented twice by 330,000 yuan and 590,000 yuan, with the present total coming to 1.86 million yuan. The group investigated the management of the mill and the feasibility and necessity of building the workshop. It was found that the construction project required little investment, had a rapid turnover and big profits and therefore this project was worth financing. The group then studied the problem of the "fishing"—overdraw and it found that it was because the loan system was not rational while the enterprise itself lacked construction experiences. In addition, the higher departments concerned had no ability to solve problems. For another example, our country still does not have a complete "2 seconds separation" sewage treatment method. Therefore it was difficult to calculate the cost of such project. In addition, this project required big expenditure that exceeded the originally estimated cost. First it was decided not to provide another loan; later an addition of only 70,000 yuan loan was provided to this project. As a result, while the old problem was resolved, a new one occurred. The bank investigated the situation of the construction and the reason for overdrawing and suggested that the project begin production as soon as possible so as to solve the problem of funds. The financing department of the bank agreed with the proposal of the group and the problem of this project is now being resolved.

5. Understand conditions for feasible study of loan items.

Both positive and negative experiences proved that to carry out a feasibility study of loan items is important for improving investment efficiency. But it will not be possible to carry out feasibility studies without information and materials' nor will it be possible for the staff concerned to carry out such studies if they do not understand the knowledge of management. Therefore the investigations of enterprises and the formation of economic files have made it possible to carry out feasibility studies.

One of the main tasks of the bank at present is to step up economic investigations and exchange information. To collect and analyze the data from the investigations of various enterprises and trades in one region is in the interest of defining the investment orientation in that region. But it is not enough just to carry out this work in one region and to define the

investment orientation of this region only. If the branches of the bank across the country carry out and persist in these works, it will consequently be possible for the head office of the bank to collect and analyze the data and situations of various places and proceed from the situation of national production, supply and sales and feed back the information to various places. In this way, the bank will be in a position to understand the advantages and investment orientation in various places and consequently it will be able to carry out financing work more consciously and scientifically. This is the way for the bank to do a good job in financing and to raise investment efficiency.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON SYSTEM REFORM, SHOUDU EXPERIENCE

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[Article by Jiang Yiwei [5592 0001 5517] and Lin Ling [2651 0407]: "System Reform as Seen From the Shoudu Iron and Steel Company"]

[Text] In order to grasp the first-hand data and probe into the reform of the economic management system, we and other comrades carried out study and investigation of the Shoudu Iron and Steel Company in March this year.

The Shoudu Iron and Steel Company is one of the eight enterprises that were the first to expand their autonomy with approval from the state economic commission. Like other enterprises that are carrying out other experiments, the Shoudu Iron and Steel Company has not completely realized the autonomy that is defined in the documents of the experiment. Yet over the past 3 years, this company has exercised a certain degree of autonomy with regard to production, planning, sales of products, profit retention and the use of funds. Thanks to the expansion of its autonomy, the company has consequently activated the economy and has also been able, despite many difficulties in carrying out economic readjustment, to increase income although its production has decreased and it has made tremendous achievements. Through practice over the past 3 years, comrades in this company have a deeper understanding of system reform and have made many proposals to our great enlightenment. From the situation of reform of the economic management system in the Shoudu Iron and Steel Company, we gained the following views:

(1) System Reform Is a Way Out for Raising Economic Returns and Promoting Economic Development

Since the 3d plenary session of the 11th CPC central committee, our country has carried out the principle of the open-door policy and enlivening the domestic economy and has also carried out experiments on reforming the economic management system through expanding the autonomy of enterprises and carrying out market regulation. We all agreed that the orientation of these measures is correct and considerable achievements have been made. But at the same time, there have appeared some problems because the work in the reform of macroeconomic management was lagging behind. In order to appraise the gains and the losses in this work, it is imperative to sum

up in an overall way the related experiences and lessons. Reality in the Shoudu Iron and Steel Company shows that following the reform and particularly following the introduction of the economic responsibility system, the production tasks of the enterprise and its management are shared by all staff and workers. Consequently, the staff and workers have displayed their initiative as masters of their own country, both the enterprise, and the staff and workers, have been active in promoting the improvement of economic returns, in a big way, ensuring the income of the state and realizing the state's centralized leadership. At the same time, the life of the staff and workers has been improved and an excellent situation has prevailed throughout the enterprise. Following are the main achievements of this enterprise.

First, under the condition of implementing the principle of readjustment, economic efficiency has been raised to guarantee state income.

Over the past 3 years following the expansion of autonomy, the Shoudu Iron and Steel Company recorded total net profits of 826.22 million yuan; an average of 275.4 million yuan per year. This figure was 189.51 million yuan higher than 1978 prior to the expansion of autonomy and represented an average annual growth of 45.32 percent.

During the 3 years, the company handed over to the state a total of 730.01 million yuan of profits; an average of 243.34 million yuan per year. This figure represented an annual growth of 34.5 percent against the figure of 180.92 million yuan in 1978.

The profits handed over to the state and the tax during this period totalled 838.05 million yuan, averaging 279.35 million yuan per year. This figure represented an annual growth of 27.91 percent against the figure of 218.4 million yuan in 1978.

Prior to the expansion of autonomy, the state got profits from the company but at the same time it also invested in the capital construction of the company and made special investment. Following the expansion of autonomy, the company has been able to increase every year the amount of profits that are handed over to the state while the funds allocated to this company by the state have decreased every year. If the state's increased income and decreased allocation are combined, the state's actual income is still higher:

	Profit Remitted to State (million yuan)	State Allocation (million yuan)	State Actual Income (million yuan)
1978	180.92	157.88	23.04
1979	213.13	72.62	140.51
1980	246.88	54.65	192.22
1981	270.00	10.68	259.32

In the 3 years following the expansion of autonomy, the state's actual income totalled 592.05 million yuan, an average of 197.35 million yuan annually. This figure was 174.31 million yuan more than the figure of 23.04 million yuan in 1978 and it has increased annually.

The comparison between the actual income of the state and enterprise has also resulted in annual increases in the proportion of the state's actual income:

	State Actual Income (percent)	Enterprise Actual Income (percent)
1978	12.2	87.8
1979	60.5	39.5
1980	67.7	32.3
1981	83.6	16.4

The situation in the Shoudu Iron and Steel Company shows that the reform of the economic management system does not upset the state's financial income; on the contrary it increases it.

Second, the enterprise has exercised its autonomy in the way of making use of the funds at its own disposal in carrying out technical transformation and changing its outlook.

In the 3 years following the expansion of autonomy, the Shoudu Iron and Steel Company has recorded total net profits of 826.22 million yuan, of which 730.01 million yuan (88.4 percent) was handed over to the state and 96.21 million yuan (11.6 percent) was retained by the enterprise. In addition, the total amount retained in the 3 years, including the funds for renewing and transforming equipment, was 114.07 million yuan and the income from comprehensive utilization was 10.35 million yuan, making a total of 220.63 million yuan.

Of the amount retained, 84,638,200 yuan were used in carrying out technical transformation, increasing product variety, improving product quality and improving labor protection and 55,998,800 yuan were used in projects for saving energy and dealing with pollution. These two aspects amounted to 140.637 million yuan, 63.7 percent of the total funds retained by the enterprise. These investments were previously made by the state but after the expansion of autonomy, these expenditures were covered by funds retained by the enterprise. All major reforms were approved by the state.

Prior to the expansion of autonomy, such items of technical transformation were approved by the state every year and the state had to make investment every year too. And these projects were often delayed which adversely affected the results of investment. For example, a coal-gas pressure

station project was started in 1959 and it was completed 21 years later. Following the expansion of autonomy, the unfinished parts were assembled and completed in just a matter of 11 months. Another example, there were fires around the original benzol workshop and therefore an explosion would have been enough to devastate half of the company and this problem remained unresolved for many years in the past because no state investment was used to solve this problem. In 1981, the company used some of its retention funds to relocate the workshop and thus avoid the hazard. Last October, the company used 3.082 million yuan from its retention funds to instal some new-technology magnetic rolling equipment in its Dashihe ore dressing plant. With this equipment, this plant is able to crush and dress ores after discarding the waste stones that make up 10 percent of crude ores. It is now able to produce an additional 180,000 tons of fine ore powder annually and an additional 5 million yuan of income. The boiler of the company's motive power plant originally used coal, with enormous exhaust gas wasted by the furnace to cause high consumption and serious pollution. The density of the dust contained in the exhaust gas surpassed the state standard by 20 times. Last year, the company used 6 million yuan from its retention funds to transform the 4 35-ton boilers from using coal powder to using coal gas. As a result, through this project alone, the company is able to save 128,000 tons of coal annually or 3.06 million yuan. The density of the dust contained in the exhaust gas is up to the state standard.

In addition to the unprecedentedly high enthusiasm of the staff and workers, another important reason for the company's ability to increase income while decreasing production is that this enterprise has also been able to use some of its retention funds to carrying out timely technical transformation. As a result, it has considerably raised economic returns.

Third, the enterprise has its own economic interest and it has implemented the principle of distribution according to labor to improve welfare facilities and tremendously spur the initiative of the broad masses of staff and workers and their sense of responsibility as masters of their own country.

During the 3 years, the Shoudu Iron and Steel Company used 33.78 million yuan of its retention funds (this figure represented 15.4 percent of the total funds retained in 1979, the state invested 8 million yuan) and built housing facilities for staff and workers with a total floor space of 250,000 square meters. Housing facilities belong to the state's fixed assets and in the past the construction of such facilities totally relied on state investment. But during the past 3 years, the company mainly relied on its own efforts to solve housing facilities under the premise that the state's income was increased.

In all, 13.5 million yuan (6.12 percent of the total retained) was used for medical, welfare and relief expenditures. In the past, such expenditure was included in production costs which reduced the profit handed over to the state. Now such expenditure is covered from the enterprise's retention funds.

In the past 3 years, the Shoudu Iron and Steel Company has drawn 28.586 million yuan from award funds and given awards totalling of 22.0129 million yuan. The total amount of these awards was equal to 2.664 percent of the total profits made by the company in the 3 years and to 3.01 percent of the total profits handed over to the state. The amount of awards last year was equal to 2.99 months of average standard wages. This figure was within the limit defined by Beijing Municipality for advanced enterprises. Following the expansion of its autonomy, the company has paid attention to implementing the principle of distribution according to labor, conscientiously carried out ideological and political work and provided awards according to the specific conditions of each laborer and staff member. In particular, through the introduction of the economic responsibility system, the company has set up and perfected the "position economic responsibility system." As a result, the company has closely combined awards with collective production and the achievements of individual labor and mobilized in a big way the initiative of the broad masses of staff and workers as masters of their own country and consequently great changes have taken place in the mental outlook of staff and workers.

Fourth, from expanding autonomy to establishing and perfecting the economic responsibility system to improve the management of the enterprise.

Prior to the expansion of autonomy, the tasks of the enterprise were simply to fulfil state plans. It was neither necessary nor possible for the enterprise to consider the question of management. Following the expansion of autonomy, the state began to carry out economic readjustment and consequently, the demand for steel decreased. It is true that the state plan defined a mandatory target, yet a number of products that were included in the plan could not be distributed. Under this situation, the enterprise could not but pay attention to its business operation, investigate the market situation, find ways of selling its products, improve its service for customers and strengthen inner management to accord with market demand. In 1981, the company was able to sell products that were included in the state plan but which could not be distributed amounting to 16.4 percent of the total production.

Comrades in the Shoudu Iron and Steel Company said with deep feeling that the expansion of autonomy and market regulation are both motivation and pressure because under this situation, the enterprise cannot but improve its management so as to raise economic returns. In the relations between readjustment and reform, the latter must be subject to the former. Reform also represents a way of realizing readjustment. Without reform, enterprises can only wait for readjustment and arrangement by the state to sell their products and under this situation human enterprises increase their income while their production is decreased?

According to our view, the experiences of the Shoudu Iron and Steel Company show that system reform is a way of raising economic returns and improving the development of our economy. These experiences also show that since

the 3d plenary session of the 11th CPC central committee, the orientation of the reform has been correct, the achievements are tremendous and the main trend is healthy.

(II) In Furthering Reform It Is Imperative to Persist in Socialist Planned Economy and Display the Auxiliary Role of Market Regulation

How to further carry out the reform? Viewed from the experiences of the Shoudu Iron and Steel Company, it is imperative in furthering the reform to persist in the socialist planned economy and to constantly reform the planned management system.

It is necessary to strengthen planned management. But to do so does not mean to rely on mandatory planning, nor does it mean to rigidly control enterprises. Planned management includes the features of the two aspects of planning and control. First of all, it is demanded that the planning departments must do a good job in making predictions and working out a complete plan that can reflect social demand more accurately. In order to realize the planned goal, the state must control production and circulation. State control must include direct control and indirect control. The commanding part in the planning is the part that is under the state's direct control. Different goods have a different proportion of direction control. Comrades in the Shoudu Iron and Steel Company told that the proportion in the transfer of iron and steel under direct control should be around 80 to 85 percent while the remaining 15 to 20 percent should be at the disposal of enterprises themselves so that enterprise can readjust the structure of their products in time and meet market demand, including the demand in rural areas.

In carrying out the economic responsibility system that combines responsibility, autonomy and interest, enterprises must put in the first place their responsibility for the state (including completing the tasks of state allocation, and remission of profit and tax to the state). But on the other hand, the organizations representing the state and that have the autonomy must also be responsible for enterprises. In the past, there were many problems in the management of state plans one of which was that such organizations had autonomy but did not have responsibility. Comrades in the Shoudu Iron and Steel Company said that in the past, the planning itself had contradictions in 12 links: between production and finance, between production and supply, between assigning production and transfer, between supply and transportation, between sales and transportation, technical transformation measures and material equipment, between the current year and medium and long term, between the tasks of central government and the tasks of localities, between the results of business operation and the amount of distribution, between the arrangement of planning and display of advantages, between production and labor force and between production and exports. There were too many organizations in the management of the planned goal. There was not enough comprehensive balance, conditions were not guaranteed and enterprises were responsible for solving contradictions themselves. Such mandatory planning was planning with power but

without responsibility. For example, a steel rolling plant in the Shoudu Iron and Steel Company has an annual capacity of 400,000 tons but the task assigned to this plant by the state was only 280,000 tons; this plant consumed 50 kilograms of oil to produce 1 ton of products but the state only supplied 3,500 tons oil. Thus according to the plan, the plant had to suspend production when the oil was used up; but the company could not stop production, therefore it had to find oil somewhere else, even at a price as high as 600 yuan per ton. The higher departments concerned did not care about this problem.

The of planned management must solve at least four problems.

First, the planning must be comprehensively balanced, it must be passed down unifiedly by one department while the enterprises must be responsible for one department only.

Second, the tasks of the plan must be divided into two aspects that are respectively put under direct control and indirect control. Enterprises must guarantee to fulfil the tasks for production that are under direct control on time, with quality and quantity up to requirement; enterprises are in a position to float within the limit defined by the state the prices of the part of the products that are under indirect control.

Third, on behalf of the state, the goods and materials or commercial departments give enterprises orders for the part of the products under the state's direct control through contracts, with the responsibility, autonomy and interest stipulated for both sides and both sides have to observe the contracts.

Fourth, efforts must be made to supply the products under the state's direct control on the basis of regions and departments. Under the conditions defined by the state, long-term contracts must be signed with regard to the production of such goods and these contracts must remain unchanged for several years so as to minimize the work of making comprehensive balance and enable enterprises to stabilize their production and management.

(III) In Furthering Reform It Is Necessary to Find a Method of Rationally Distributing the Interests of the State, Enterprises and Individual Staff and Workers

The nature of the distribution of the interests of the state, enterprises and individual staff and workers is the distribution of net output value that is created by laborers. Under the capitalist system, part of the net output value is retained for staff and workers as the value of labor force (V) while the other part is possessed by the bourgeoisie as surplus value (M). Under the socialist system, all net output value belongs to the laboring people. But this output value must first be distributed between the state and the enterprises and respectively redistributed by both sides.

Net output value corresponds to national revenue. The state controls the distribution of national revenue according to planning and first of all it controls the proportionate relations between accumulation and consumption. The state may, according to plan define the proportion for the distribution of the net output value of different trades. Part of the net output value is handed over to the state in the form of tax while another part is retained for enterprises. It may also define the proportion of the net output value for the individual consumption of staff and workers (wages, awards and welfare).

This rational distribution system is based on price rationality and therefore it cannot be realized at the present stage. At present, we can only use different forms in distributing profits and make proper improvement.

Comrades in the Shoudu Iron and Steel Company hold that for their company, which has a certain management foundation and great potential, the introduction of total retention would not have a tremendously encouraging role. They suggest that it would be better for their company to introduce the method of assigning production quotas with increasing volume annually so as to guarantee that the state income will gradually and stably increase every year while the enterprise itself will have a definite goal. In this respect, they made the following proposals:

(1) With the base figure for the goal of the profits made through assigning production quotas in 1981 as the basis, the goal can be increased by less than 10 percent annually and this situation must remain unchanged for several years. For their company, they suggest increases of 5 percent per year and 10 years later, that is in 1991, the profits handed over to the state should be 439.8 million yuan, 163 percent of the 1981 figure. In order to guarantee that the profits handed over to the state will constantly increase while the retention profits of the enterprise will grow correspondingly, the profits of the enterprise must also grow by 5 percent. If the growth is less than 5 percent, the growth of profits retained by the enterprise will eventually decrease because the enterprise has to guarantee the growth of the profits that are handed over to the state. If the growth is higher than 5 percent, enterprise retention will have grown even more because the growth of the profits handed over to the state remains unchanged. The benefit in doing this is not only to guarantee that the state's financial income will grow stably but also to encourage the enterprise to increase the growth of profits and this situation is in the interest of mobilizing the initiative of the enterprise.

(2) Proceed from the specific conditions of the enterprise to define the proportionate use of profits retained by the enterprise. Comrades in the Shoudu Iron and Steel Company suggested using 60 percent for technical transformation and developing production; 20 percent for collective welfare and mainly for building houses for staff and workers, and the other 20 percent for awards and daily welfare expenditures. It is also worth considering linking awards with the guaranteed growth of the profits that are

handed over to the state. They suggest that if the growth of the profits handed over to the state is less than 5 percent, the level of the awards for staff and workers must remain unchanged; if the company fails even to reach the base figure, the award must be stopped. If the growth reaches or surpasses 5 percent, then each time it increases 2 percent, the award must be increased by 0.1 months of standard wages. According to this calculation, if the company is able to realize a growth of 5 percent in the profits for the state, the award will be increased by 0.25 months which means a per capita average monthly income in this instance of only 1.104 yuan. Although the income is small, it will encourage the masses of staff and workers to spare no efforts to increase income and decrease expenditures and to guarantee that the profits handed over to the state will grow.

(3) In implementing the principle of distribution according to labor within an enterprise, we cannot mainly depend on awards; what is more important is that such distribution must be showed in wages. Enterprises must be allowed to use the retention award funds to readjust the wages of part of the staff and workers every year as a measure of implementing an internal wage system. This method includes strict examination of staff and workers so that they will be "promoted" by the enterprises on condition that they really reach a higher grade in technical standard and at the same time fulfil the position responsibility system; if they fail to fulfil their tasks in the next year, their promotion will be cancelled; as for those who are transferred to other units, the newly added part of their wages will be cancelled in their new posts; those who are able to meet technical and production requirements for 3 successive years will have their grading defined and the increased part of their wages will be covered by wage funds, when the promoted positions are unifiedly handled by the state, the scale of the promotion is readjusted again.

Thus the internal wage system of using award funds is more effective in mobilizing the initiative of staff and workers than solely relying on awards and this method is also in the interest of forming the position wage system that accords with the principle of distribution according to labor. According to our view, under the situation in which it is temporarily difficult to reform the wage system comprehensively, this method proposed by comrades from the Shoudu Iron and Steel Company is practicable.

With regard to the figures of the above-mentioned proposals, they still need further prediction. But the measures mentioned are in the interest of guaranteeing the state's financial revenue and mobilizing the initiative of enterprises and their staff and workers. We suggest that the proposals be experimented with in the Shoudu Iron and Steel Company and a few other enterprises so as to prove through practice whether they are feasible.

(IV) Some Suggestions About Furthering the Experiment on System Reform

System reform is an inevitable big change in the relations of production and therefore we must daringly but stably probe into this question both

in theory and practice. In the process of reform, it is necessary to work out and constantly perfect the planning of the reform and at the same time it is also necessary, through experiments in selected units, to test and appraise the planning. Together with comrades in the Shoudu Iron and Steel Company, we have the following common views regarding further carrying out the experiment.

(1) In order to probe new methods and test planning reform, the experiment must be carried out in a few "points"; but if the experiment involves many units, it becomes a "broad" experiment and not the experiment in a few selected "points." If the experiment is carried out in a few selected units, the whole situation will not be affected when some problems occur during the experiment and at the same time we will also be able to accumulate experience and draw lessons.

(2) Since the experiment is carried out in a few selected "points," we can resort to different plans so as to make comparison, overcome shortcomings and display advantages through summing up experience, gradually form better plans which can later be experimented with on a wider scale and when such plans have been proven effective in practice, they can be popularized. Overall planning is needed for overall reform but this planning may initially be just planning in principle, without rigidly defined concrete methods. Under the guidance of planning in principle, it is permitted to define different concrete plans for experiments.

(3) One of the outstanding problems in the current system reform is that the contents of the reform are not complete and in particular we still do not have a complete method as to how to reform macroeconomic management. Therefore it is necessary to select some cities for comprehensive experiments. But at the same time, it is also necessary to select some enterprises of different types, with a fairly good management foundation and fairly good achievements gained in experiments for further carrying out the experiments on some new aspects of reform so as to acquire new experiences.

Through the investigations of the Shoudu Iron and Steel Company, we have a deeper understanding of the necessity and importance of big enterprises carrying out reform. Big enterprises represent the backbone of our socialist industry and they have a vital role in the national economy. Therefore to mobilize the initiative of big enterprises and activate their economy are very important in guaranteeing the stability of the state's financial revenue and in stably promoting the development of the national economy. Some comrades hold that since big enterprises have a fairly high level of productivity and funds, of the various factors of productivity, the material factor plays a guiding role while the human factor has been put into the second position. Consequently, they hold that it is not necessary to expand the decisionmaking power of such enterprises. This view is apparently wrong. No matter what the size of the enterprise or what the level of technology, the human factor always plays the guiding role in

production. Large-scale enterprises with a high technical level have more scope for activity and greater potential. To allow enterprises to have the necessary autonomy and consequently to enable them to have greater vitality will play a greater role in raising the efficiency of the national economy.

Some other comrades hold that since big enterprises have a great influence on the national economy and people's life, it is imperative for the state to strengthen the management over such enterprises and therefore such enterprises must have less autonomy. This view is also incorrect. Of course, it is necessary to strengthen management but that does not mean rigidly controlling such enterprises, nor does it mean that the bigger the enterprise, the more rigid should be the control. In reforming the system, we must be able to "manage but not to stifle and to enliven but not to create chaos" and this principle is applicable to both big and small enterprises. Generally speaking, big enterprises are more complete organizationally, they have a better management foundation and cadres with a higher level of understanding with regard to forcefully implementing policies and fulfilling plans. Therefore even if the autonomy of these enterprises is expanded, no serious chaos will ensure. Under the situation in which policies are not concrete and the legal system is incomplete, it is none other than the numerous small enterprises that can easily cause chaos when they are enlivened.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' DISCUSSES TECHNICAL STANDARDS

HK260721 Beijing JINGJI GUANLI in Chinese No. 7, 15 Aug 82 pp 57-60

[Article by the Shanghai Yuejin electrical machinery factory: "Grasp International Technical Standards to Improve the Quality of Export Products"]

[Text] Editor's note: To organize production according to international technical standards is an important measure for strengthening the competitiveness of our export products and enabling us to put more products onto international markets. It is also an important way of improving the technical level of our industrial products and raising economic efficiency in an overall way. At present, the technical standards of a number of our products are outdated and backward and are consequently in need of urgent improvement. Some enterprises that have met the existing state standards are not satisfied with such achievements and have therefore defined enterprise standards that are higher than the state standards and have consequently achieved better economic efficiency. In the process of carrying out overall readjustment, all industrial enterprises must follow the example of the Shanghai Yuejin electrical machinery factory in fostering high aspirations and great ideals, placing strict demands on themselves and doing a good job in various capital constructions in their efforts to improve the quality of their products, their technical levels and to raise economic efficiency. [End editor's note]

Standardization work plays a very important role in stepping up the technical development of the machine building industry, while technical standards constitute an important element in the import of technology. One of the important tasks of the electrical machinery trade in the current period of national economic readjustment is to turn from solely serving the home market to becoming active in opening up the international market. For this purpose, it is imperative to produce advanced products. A further indispensable condition in this respect is that our exports must accord with "international standards" and "international general standards." In the autumn of 1978, our factory imported and began to use international standards. By combining industry with trade and technology with trade, we produced small QU series 3-phase asynchronous motors to 28 specifications with H80-132 central height for the BEC Company of West Germany from samples of the products sent to us and the brand defined by the company. The samples were tested and appraised and we began mass production in 1980.

So far we have made about 60,000 such generators with a total capacity of 160,000 kW and we have made U.S.\$3.44 million in foreign exchange. After more than 2 years of production, we are deeply aware of the importance of standards work.

I. Export Products Must Accord with International Standards and International General Standards

The key question in exporting products is quality. The quality of the products that are marketed internationally must accord with international standards. Therefore, whether or not to use international standards is an important matter which will decide whether our products are exportable. Our factory used mainly to produce J02 series and J03 series motors. The size of our packaging and the grade of capacity used by our factory did not accord with DIN 42673 international general standards. Consequently, the exports of such products were seriously limited and they were once graded into the 4th category of commodities. In 1978, the BBC Company sent its staff to our factory for talks. During the talks, our factory introduced 2 samples of the motors that accorded with technical requirements. In addition, the size of packaging was also in line with international general standards. This situation consequently formed a foundation for the factory to produce QU series motors with the samples provided and the brand defined by the company. During talks, we used also to stick to the state standards for the products on the whole. But state standards were equivalent to those of the 1950's and they were hardly interchangeable with international general standards. The standards used by the BBC company in producing the 3-phase asynchronous motors include 13 parts with IEC and ISO international standards while more than 55 parts are using DIN and VDE international general standards. The requirements of these standards are comparatively high and most of these standards are advanced and rational. For example, in according with "allowable fixed flanges used in electrical machinery" and "allowable positional difference of axial extending end" of the DIN 42955 standards, the processing of these products has to be upgraded from grade three to grade two. Such requirements are no doubt higher and make more difficulties for the manufacturer, but the products under such requirements have been able to meet the needs of users. In carrying out production according to samples and with defined brands, we have used international standards. Consequently, our design level for QU series products has been considerably improved, while the motors produced according to such standards are of a higher quality. To win the confidence of users through quality serves the interest of opening up more sales channels.

II. To Improve the Quality of Products, It Is Imperative to be Familiar with and to Strictly follow Standards

Compared with general international standards, the standards used in our electric machinery trade are not only lagging behind in technical level but also have a weaker base and are incomplete. Imported standards are

often unfamiliar in our country and we have therefore never used them. Therefore, it is very important to become familiar with such standards and use them in the manufacturing and testing of our products. In order to study, digest and use such standards in the process of designing, testing and producing products, we have mainly carried out the following work:

1. Collect Data to Become Familiar with Standards

Experts from West Germany sent us much technical data when we were discussing technical standards. The documents about the standards for processing electrical and other machinery alone constituted almost 100 copies and there were also standards documents for other fields. We have translated these documents in time and analyzed and learnt from them.

2. Study Samples and Predict Levels

In order to understand our own situation and the situation of other companies abroad, we have comprehensively tested the five samples that were provided by foreign businessmen. Consequently, by combining theory with practice, we have deepened our understanding of defining and using standards.

3. Find Differences and Define Standards

In the past, in checking the quality of the products made in our country, it was decided that the products must reach the standards of the tested items but the items themselves were passed and permitted to leave the factory even if they had some defects. Yet according to international standards, all products must accordingly be checked and tested. Even "common differences" have to be checked. International standards place emphasis on basic standards and they are comparatively complete, with requirements, methods, testing and testing instruments included in the contents. These standards not only include the requirements of electricity and machinery but also include the interests of the users and the market competition. When foreign businessmen are discussing technical matters, they always proceed from the point of international standards. We, however, traditionally only pay attention to product standards and these standards are not in a position to represent the quality requirement of the products and have therefore affected the implementation of international standards and the improvement of products. Consequently we have become aware of the differences between the two standards and eventually we changed the contents of product standards and the method of defining standards. All the requirements of the standards are respectively included in blueprints and technical materials for implementation.

4. The Two Sides Check and Define Standards

We have twice discussed standards with foreign businessmen. In the first discussion, the two sides sent engineers and technicians to discuss the parts of IEC, DIN and VDE standard that were to be used and this work

lasted for more than 15 days. This discussion also referred to the technical conditions for the export of the motors made by our country and the QU quality standards that are defined by our country for motors. The technical contents of these standards that were agreed by the two sides were tested and appraised. The second series of discussions lasted for nearly 1 month. Through testing typical samples, the situation in the implementation of standards and blueprints quality was also checked and tested. In addition, the 18 items of the standards and guides for quality checking with regard to 163 items of raw materials, parts and products quality control about which the two sides had different views, were minutely discussed until the two sides agreed. All the agreements were signed by the two sides on the foundation of the implementation of standards.

5. Overcome Difficulties and Follow Standards Strictly

The defining of quality standards is only the first step. The only way to guarantee quality is to strictly follow the standards. The standards must be tested seriously and conscientiously while in implementing them it is imperative to change the traditional methods. Foreign businessmen have very high requirements for the outward appearance of the motors. No rust spots and spoiled paint on the footings of the motors are allowed. Surface painting must be even and beautiful, without any bad smell. On the surface lacquer film was also subject to testing: a 2 x 2 inch small square was formed on the surface through cutting with a special tool, the square was then pulled out by a plaster without pulling out the whole film. To accord with this requirement, our factory could not but change the old way of production and follow the standards conscientiously and strictly.

III. In Implementing the Standards It Is Imperative to Set Up Perfect Testing Instruments Through Experimentation and Study

In order to test whether the products are up to standard it is imperative to have complete testing methods. At that time, however, we did not have complete methods for testing the conductivity of rotor aluminum conducting rods, the thickness of the plating of fixed parts, electric conducting distance between electrified parts, distance between holes in assembling end cover, shrink holes of squirrel-cage rotors, the installing of wiring plates and the electric leakage distance between various parts. In order to guarantee quality and with help from scientific research units, our factory has studied and made some measuring instruments. At the same time, we also imported some items such as simple weaving measuring instruments, instruments for testing the thickness of lacquer film, conductivity of aluminum ingots, meters for testing brightness and cleanliness and lever of moment of force and some other measuring instruments. With these instruments, the factory has been able to strengthen control over product quality.

In the process of implementing standards, we have gradually perfected our testing equipment. As a result, we have strengthened the technical

foundation and the factory consequently has improved technical level and guaranteed that the standards will be strictly followed.

IV. Step Up Enterprise Foundation Work in Order to Implement International Standards

Product quality is in fact a comprehensive reflection of the varied works of an enterprise. Therefore it is only when we are able to strengthen basic enterprise work that we can smoothly implement international standards.

In order to improve basic enterprise work, we have carried out the following steps.

1. Ideological and political work. The purpose of this work is to help staff and workers fully understand the importance of creating foreign exchange for the realization of the modernization program of our country and to understand that to follow international standards in production is an important way of making things foreign serve our country and improve our levels. At the same time, we separate the principle of making things foreign serving our country from "worshipping and having blind faith in things foreign" to foster the thinking of strictly following high standards and putting quality in the first place.

2. Step up basic management in the process of production management so as to carry out production in a balanced way. In carrying out work, we stressed the importance of working production planning under the "three presences" (the presence of blueprints and materials, workers and equipment and raw materials). Working groups have three quotas of workers, machines and production tasks. Operators and groups must meet the requirement of the three aspects of working hours, quality and quantity.

In technical management, production must be carried out strictly according to standards, blueprints and technology while groups are also responsible for checking the whole process of production from checking parts to checking the completion of work. Operators have to check and grade by themselves their own work and mark the cards for their position responsibility system.

3. According to the 163 items of rules and regulations signed with foreign businessmen, we resorted to the method of overall quality management and carried out control in the process of production. Quality control is carried out right from when raw materials are transported in to the factory to parts processing and the transporting of the products from the factory. In this respect, we have taken the following measures:

1. We set up 15 control points in the key production points throughout the factory to attain the following four goals: 1) the index of engineering capacity is bigger than 1.1; 2) control diagrams are up to standard; 3) all staff and workers are able to check and grade their own works and mark the cards with regard to their position responsibility system; 4) the flow of information is smooth.

2. In addition to the control of parts and finished products, the products are also checked when they are put into warehouses. The method used in this work is the AQL (acceptable quality level) method that is defined by the DIN 40080 testing standards for samples. That is, in addition to spot checking certain quantities of products for overall testing of electricity and the outward form of products, five other products are dismantled so as to check the parts according to blueprints.

3. Control the varied flow of information regarding quality standards and assign staff for specialization in carrying out statistical work and handling work.

4. Take technical measures to solve certain problems.

1) Organize civilized production, readjust technical operation line and stabilize the quality of products.

2) In order to form and perfect testing methods, import some testing instruments.

3) In order to guarantee size precision and quality of outward appearance, design and build various position tools.

4) Improve design and technology so as to meet standards requirements.

5. Step Up Staff Training to Meet the Needs of Production

In order to implement product quality standards, it is imperative to enable cadres, technicians, management staff and operators to understand standards and testing guidance and rules. Therefore, with regard to the 163 items of testing guides and rules and standard materials that are signed between our factory and the BBC Company, we stepped up educational measures and trained all the staff and workers of the factory according to their own conditions. In this work, we grasped the following three links:

1. Educating one level after another. The education was carried out according to the grading of staff and workers with emphasis on primary subjects. An overall education was given to middle grade cadres; minute education was given to technicians; repeated education for testing staff and production cadres while primary points education was given to production workers according to their different posts. These measures were aimed at enabling each staff member to understand technical requirements and test rules and regulations and each operator to understand the quality standards of the technical process under his responsibility and test rules and regulations.

2. Specialized training. On the basis of training the whole staff and workers, we proceeded from the specific conditions of our factory and gave "qualified certificates" to staff who, through study, were able to acquaint

themselves with the quality requirements of product processing, able to draw control blueprints, analyze control blueprints, understand quantum knowledge, correctly use imported measuring instruments, do a good job in quality control and who passed examination after training. Those who failed to reach these requirements on many occasions would be transferred from their posts.

3. Emphasis training. Emphasis training was given to the workers who were responsible for key work in production. These workers also studied TQC knowledge so as to improve the level of their technical operation.

Experiences gained by our factory over the past 2 years in implementing international standards and strengthening the work of standardization shows that through importing international standards, we have not only been able to launch our products onto the international market and gain foreign exchange but, what is more important, also to improve our technical level in the process of using the standards. In August, 1981, the BBC Company held that the quality of QU electric machinery made by our factory had remained stable and consequently the number of machines used for spot checking and testing has decreased. In June, 1981, Mr. Manheim Eden, director of the BBC Company, made the following appraisal of the QU electrical machinery when he said: "The electrical machine made by Yuejin electrical machinery factory has reached the level of those made by the BBC, AEG and Seimens companies. These products have reached world and West European levels."

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON CHILDREN'S CONSUMER GOODS

HK150901 Beijing JINGJI GUANLI in Chinese No. 8, 15 Aug 82 pp 15-18

[Article by Gong Jinglong [1362 2529 7127]: "Further Develop the Production of Children's Consumer Goods"]

[Text] The first "National Exhibitional Sale of Children's Goods" which lasted 20 days has come to a victorious close in Beijing. The organizational scale of this exhibitional sale was so large as to be unprecedented since the founding of China. The fields it touched, the products it collected together and the varieties were also totally new. It has played an active role in widening horizons, exchanging experiences, stimulating spirits and giving impetus to the whole situation. We should take this exhibitional sale as the new starting point for further improving the production of children's consumer goods. We should produce more less expensive and better goods with the support of the whole society and the conscientious efforts of the staff and workers of related enterprises, so as to make a new contribution to the healthy growth of children and juveniles all over the country. Now, let me make some immature comments on the problems existing in the development of the production of children's consumer goods.

I. Have a Full Understanding of the Strategic Significance of Devoting Major Efforts to Developing the Production of Children's Consumer Goods.

Since the call issued last February by the central committee that the whole party and the whole society should pay attention to the healthy growth of children and juveniles, the central committee have set up in succession the national harmonious committee for children's and juveniles' work and the national committee of children's daily necessities. Various related departments and quite a few provinces, municipalities and autonomous regions have also established in succession temporary organizations and professional committees to develop the production of children's consumer goods. They have done a great amount of organization and mobilization work, and have achieved satisfactory results. However, the development of matters is invariably unbalanced. There are still some comrades in society who till now have had confused ideas which stand in the way of the development of production. Among these ideas are several remarks which deserve our full attention.

1. It is thought that the quantity of daily consumer goods provided in the markets of our country is still insufficient. Laying too much stress on the development of children's consumer goods, it is said, will mean making a fuss over a trivial matter. We think that this way of looking at the matter is inappropriate.

It is true that the supply of consumer goods in our country's markets today is still a certain distance removed from the people's demand. Because of this, the central committee has decided to continue the readjustment of the national economy. It has repeatedly emphasized that the production of consumer goods should be raised. The central committee pays special attention to developing the production of children's consumer goods, while at the same time laying the stress on developing common consumer goods. I think there is some far more significant strategic importance in this, other than the fact that the supply of children's consumer goods is far worse than the supply of common consumer goods.

Nowadays, many countries in the world have started research on the problem of exploring intelligence and improving national quality. In order to improve more effectively the health quality and the scientific and cultural level of the whole nation, one must begin with enforcing the work of children and juveniles especially that of babies and children below six. Since children and juveniles are living in a period when they will grow in body and mind, therefore this nation can hope for prosperity only by giving them the necessary nourishment for body growth soon after they are born, providing them with a good education, laying a good foundation for them to take up their post in society and to display their ability. To be concerned about the daily necessities of children and juveniles means to be concerned about the future of our nation, country and socialism. We should, within our power, have them well-fed, well-dressed and provide them with instructive playthings and give them the necessary cultural and sports instruments for their studies. While making arrangements for the production of consumer goods, to give consideration to the demand of the mass of juveniles and children has become a current important problem which needs to be solved urgently.

2. It is thought that the national consumer level is still very low. It is inappropriate to forward this problem now. It is true that compared with some economically developed countries, the consumer level of the people of our country is surely very low, but this situation will not last and profound changes have taken place.

1. The consumption of children and that of adults do not increase proportionally and equally. All the labouring people of our country have the good tradition of being industrious and thrifty in managing a household and giving first thoughts to their children's needs. Once they have enough food to eat and enough clothes to wear and their living conditions have improved, they will try every means to give their children better food to eat, and deck their children with tidy and pretty clothes. In the

past two years, the income of the people of our country has increased somewhat and the voice calling for the increase of the production of children's consumer goods is getting stronger. This reflects the fact that the consumer habit is working.

2. Because of the expanding of family employment, family life is developing in the direction of socialization. To be specific, it is concerned with the problem of children's food and clothing. Self-supplied consumption keeps decreasing while commercial consumption keeps increasing. Let's take a look at the cities. Mothers who wean their babies at birth constitute around 50 percent of mothers, and basically, mothers have stopped making clothes and shoes for their children. In the rural areas, about 30 percent of babies lack milk. In areas where income is relatively higher, women have come to realize that economically speaking it is wiser to take part in the productive labour of agricultural by-products than to make clothes and shoes by themselves. In that case, there is an obvious increase in the demand for children's clothing, caps, shoes and baby food by the people in the rural and urban areas.

3. With the implementation of the policy of one child, families become smaller and burdens lessen. Young parents are all willing to spend money on their children. Not only do the markets have to provide for the demand for children's food and clothing, but the demand for children's toys and other children's articles is getting more urgent. We should keep our eyes open to the trend of development and cause social production to catch up with the need of this trend of development.

3. It is thought that developing the production of children's consumer goods is the business of light industry departments and has nothing to do with other departments. Of course, to develop the production of children's consumer goods, the light industry departments have an unshirkable responsibility. Different levels of the light industry departments should make detailed plans according to market demand, strengthen leadership, adopt measures and achieve results. However, national economy is an organic whole, while light industry is but a production processing department. Under the present management system, production will not develop without the cooperation and support of all departments.

Though children's consumer goods are all "tiny articles" yet they are not that easy to produce compared with big products of the same kind. Their common characteristics are: they are labor consuming, material has to be fine, requirements are high and above all, they need to be of cheap price and good quality. Many children's toys are a comprehensive reflection of a nation's modern scientific technology for they need to use new techniques and new materials on a wide scale. Besides, there are highly difficult technical problems to deal with. Not only must there be children's clothing, shoes and caps which are exquisitely made, but also there must be all kinds of noodles which are bright in color, cheap in price and popular in demand. The production of milk powder substitutes needs a

large amount of soybeans and milk powder. All these are materials which the state is short of. And since babies' digestive powers and resistance powers against diseases are weaker than those of adults, the hygiene requirements for milk powder substitutes will be much higher than for ordinary goods. At present, the reason that most of the enterprises manufacturing children's consumer goods lose money is because departments concerned have neglected the characteristics of this part of production, apart from reasons of management and administration.

To develop the production of children's consumer goods demands the concern of the whole party and the whole society, it needs the mobilization of the initiative and enthusiasm of various parties, especially comrades who are in charge of money, raw materials and overall balance at various levels. Once everyone reaches unanimity of opinion and keeps in step it will not be difficult to do the job well.

II. Firmly Establish the Thinking of Serving the Children and Juveniles of the Whole Country

Our country is vast in territory. The development of the economy is not balanced, the differences between rural and urban areas remain great and ours is a multi-nationality inhabited socialist country. The three hundred million children living in the vast territory of our country's rural and urban areas have different consumer levels, consumer habits and consumer demands. Therefore, the development of children's consumer goods cannot just put the stress on large or medium-size cities and manufacture high-grade and middle-grade products. What is more, we cannot just be satisfied with loudly colored products or with the manufacture of products of unhealthy thinking, which will ruin our descendants. Most of the consumers need economical, practical, cheap and high-quality products. While developing children's consumer goods, we must not forget to combine high-grade products with middle-grade ones, nor shall we forget such a glorious task as leading children and juveniles to grow healthily as a new generation of socialist people. Therefore, the various levels of light industry departments and all the productive enterprises should establish the thinking of serving heart and soul the children and juveniles of the whole country.

1. Plan production distribution well. Unreasonable distribution is a big problem existing in the present production of children's consumer goods. Take the toys business for example. The annual total output for 1980 was two hundred million and eight yuan, distributed over twenty-two provinces, municipalities and autonomous regions. But output was mostly concentrated in provinces and municipalities like Shanghai, Beijing, Jiangsu, Guangdong, Hubei and Zhejiang. Beijing and Shanghai alone took up 85 percent of the total production. Other provinces and municipalities received few products, especially the vast areas of the southwest and northwest. Apart from Sichuan and Guizhou which produce little, other provinces and municipalities produce nothing at all, whereas toys manufactured in Beijing and

Shanghai are mainly for export, so only a limited amount can be spared for home consumption. As a result, big cities have a small supply while those inland provinces, municipalities and autonomous regions are not even able to get supplies. Toys are either low-grade or high-grade. Mechanical, electronic and remote control toys are intricate in construction and need a relatively high base of productive technology. Low-grade and middle-grade toys, however, do not necessarily demand a really high base of productive technology. Therefore, there should be an appropriate distribution of work and a reasonable arrangement between the different provinces, municipalities and autonomous regions in the production of toys. From now on, cities such as Beijing, Shanghai and Guangzhou should lay the emphasis on producing high-grade toys for export, leaving a part of them for home sale in big and medium-size cities. Other cities should, in accordance with the principle of doing what one is capable of and as an active organization, vigorously develop the production of middle-grade and low-grade home market toys for markets in rural areas and small and medium-size cities. Four fifths of the children in our country are living in rural areas. As the living standard of the peasants is being raised, country children's demands for middle-grade and low-grade toys has become more pressing. Special treatment should be given to areas that are mainly inhabited by minority nationalities. In order to have production meet the need of consumer areas, we should organize county industry to produce low-grade toys. Production distribution of children's clothing, shoes and caps and the distribution of toys are more or less the same. However, there are the problems of adjusting distribution and gradually developing inland areas and counties. As for the children's food industry, stress should be put on improving the milk powder bases in Heilongjiang and Inner Mongolia and together with the health departments we should study and produce therapeutic food to cure children of rickets and anemia and make prescriptions for weaning food. Emphasis should be put on developing such things, offering areas with high incidences of disease low prices. At the same time, we should mobilize every province to learn from Guangxi Province, Shangsai County's experience of transforming a small nitrogenous factory to the production of lysine and making use of different kinds of starch to produce more nutritious additives for children, so as to solve the problem of child malnutrition on the spot.

2. Issue plans for different varieties and practise production by special factories. The production of children's consumer goods is not an independent department. With the exception of children's toys; children's clothing, children's shoes and caps, children's food and children's recreational and sports instruments are all small products subordinate to big products. Apart from milk powder substitutes, these products were not listed in statistic catalogues, neither were they listed in the state plan or in the department-run plans. Even in the plans of quite a few provinces, municipalities and regions, they have not been listed separately. Therefore, under the present planning and management system, it is very difficult to master the overall situation of the production of children's consumer goods.

In particular, profits from children's clothing, shoes, caps and children's food only one seventh to one fifth of the profits from big products of the same kind so enterprises do not have much enthusiasm for this production. If the issuing of the varied plan does not go in hand with the issuing of the production plan, there is the danger that nothing will come of the whole plan. For this reason, it is highly necessary to put children's clothing, children's shoes and children's food under the lists of related big products, and have them counted and planned separately. All the places and enterprises that have suitable conditions should practise production by special factories or special workshops. This will avoid the use of the big products with their high profits to squeeze the production of children's consumer goods that are of low profit and will guarantee that production will have plans and continuously develop according to proportion.

3. Uphold the principle of the unity of internal quality and external quality. The quality of products can be divided into internal and external quality. External quality is mainly used to attract customers while only the internal quality can guarantee consumers the practical and economical value. Take children's consumer goods for example. Whether the interior quality is high or low largely depends on the degree of processing, the level of hygiene and the durability of the products. For the present consumer level of our country, productive units should put first importance on improving the internal quality of products. When internal quality is able to win the confidence of customers, we can adorn and decorate the products. If in production we do not pay attention to the internal quality of products and only work hard on the packaging of products, it will not only increase the cost of products but will give people the impression of being flashy and without substance and looking impressive but lacking real worth. This goes against the principle of socialist management. Every productive enterprise should mobilize the masses to carry out the discussion of "if I were the consumer of these products," check strictly the quality of working procedures, combine the quality of products with award and punishment and reach real unity of internal and external quality.

4. Complete the specifications of varieties. The incomplete specification of varieties is a great problem existing in the production of light industry, and the production of children's clothing, shoes and caps most conspicuously. At present, children's clothing, shoes and caps produced mostly suit only the kindergarten children, and little consideration has even been given to the clothing of babies, pupils and students of secondary schools. Sometimes, boys of eleven and twelve will not be able to get an ordinary pair of shoes, or an ordinary pair of trousers, or an ordinary jacket, even after a thorough search of Beijing Municipality. You can imagine how difficult it will be at other places if it is that difficult in Beijing. I suggest that clothing co-operations of various places should make serious investigations and classify the consumers in their area and then decide how much clothing, shoes and caps should be produced for various ages and various sizes. You can always adjust the production plans according to the sale conditions each month. Clothing, shoes and caps are highly seasonal.

One can organize production in a planned way and proportionally according to seasonal demand. We should go all out to get the specifications of varieties complete and try to enrich the variety so that children and juveniles of different ages can get whatever they want to buy whenever they make a purchase.

5. Firmly grasp administrative management and try to keep the products cheap and quality good. For general consumer goods, we should keep the products cheap and quality good and try to cater for popular demand. Production of children's consumer goods should develop in this direction.

At present the profit rate for children's consumer goods is rather low, so it will not be easy to make the products really cheap and the quality good, yet surely no such conclusion should be reached as that children's consumer goods do not need to be cheap and of good quality. How to strengthen administrative management, cut down the waste of raw materials, reduce nonproductive expenditure, improve economic effect, and cut down the selling price of products are big problems that need to be solved urgently in the production of children's consumer goods. In these respects, Dalian children's clothing factory and Yantai children's shoes factory have already achieved some satisfactory results. Other enterprises should more often look for reasons for low profits or even reasons for losing money in interior management, and try to improve products as soon as possible.

III. Make Serious Studies of Practical Problems Existing in the Production of Children's Consumer Goods

At present, there are many problems existing in the production of children's consumer goods. Summing them up, the following aspects have direct influence on the development of production. Feasible measures should be taken to find a quick solution with the mutual aid of related parties.

1. On the supply of raw materials. Insufficient supply of raw material is one of the most serious difficulties in the productive enterprises of children's consumer goods. Since this year, related departments have agreed to solve the problem of steel used in producing perambulators according to practical need. This serves as a strong support for the production of toys. Nevertheless, the demand for timber and other first and second grade materials have not yet been met. We hold that children's consumer goods are mostly daily necessities, so their demand for first and second grade materials should be brought into line with the distribution plan for materials differently graded according to the subordinate relationship of enterprises. Quality and quantity should be guaranteed, and supply at a low price as well. No department should squeeze, occupy or pinch material. Some can even make arrangements for special material such as the steel for perambulators. Issue orders with a special note and distribute the raw material directly to the enterprises.

2. On the development of funds. Enterprises producing children's consumer goods mostly have little capital and make small profits. They are not able to get bank loans. This has a great influence on the reformation of techniques and enlarging the scale of production. Since this year, departments of light industry at each level have tried to increase the allocation of funds for technology and measures in the budget, but basic problems have not yet been solved. According to estimations, to construct a baby food factory which has a yearly manufacturing capacity of 1,000 tons will take 17 years to pay back all the basic interest of the loan. Therefore at a time when the state does not have sufficient construction funds, it is highly necessary to give some long-term interest-free loans to enterprises that cannot use bank loans, so as to help them overcome the shortage of productive power.

3. On the price of products. At present, owing to the fact that the ex-factory prices of some children's consumer goods are on the low side, the profit rate at most remains at two to three percent. Some factories even lose money and are therefore forced to manufacture other products. This has badly influenced the enthusiasm of enterprises and staff and workers to develop production. Industry, commercial and financial departments should set up investigation teams to look into this matter and make on-the-spot investigations of the different productive enterprises and then, according to the results of investigation, adopt measures or adjust the prices of products or adjust the profits of industry and commerce, or make proper reduction or remittance of taxes, or encourage the factories to strengthen administrative management. Problems which might influence the development of production should definitely not be put aside.

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ECONOMIC PLANNING

IMPROVEMENT OF ECONOMIC RESULTS STRESSED IN ECONOMIC WORK

Beijing ZHONGGUO CAIMAO BAO in Chinese 21 Sep 82 p 3

[Article by Wang Shaofei [3769 4801 7378] (Fellow of Finance, Trade and Supply Economic Research Institute of the Chinese Academy of Sciences): "Focus All Economic Work on the Attainment of Better Economic Results"]

[Text] "Focus all economic work on the attainment of better economic results." This is an important call issued by Comrade Hu Yaobang in his political report at the 12th National Party Congress.

The core of socialist modernization is to develop socialist economy, and funds are the prerequisite for economic construction. There must be input before there can be output. Under certain conditions, input is in direct proportion to output. We can use various forecasts and estimates to find out the amount of investment required to raise our total industrial and agricultural output value to 2,800 billion yuan by the year 2000. Let us leave out agricultural production and talk about the investment required for industrial production alone. If that of 1980 is to be quadrupled, the total industrial output value by 2000 will be 2,000 billion yuan. If our estimate is based on the amount of funds (that is, the net value of fixed assets plus the circulating funds; same as follows) used for every 100 yuan of the total industrial output value of the country in 1980, we will need 1,700 billion yuan to achieve a total output value of 2,000 billion yuan. In the past 30 years, the total accumulated funds for industrial production is only some 420 billion yuan, and an additional investment of approximately 1,280 billion yuan is necessary. It would be very difficult to raise such a huge sum of money. However, if our estimate is based on the amount of funds used in Shanghai, where the economic results are fairly good, for every 100 yuan of the total output value, we will need only 760 billion yuan to achieve a total output value of 2,000 billion yuan, and an additional investment of a little more than 300 billion yuan will suffice. It is possible for us to raise a little more than 300 billion yuan in 20 years. These two estimates on different bases show that the basic way to solve the problem of insufficient funds is to improve the economic results.

The question now is whether industrial production throughout the country can produce the same economic results as it does in Shanghai, and if so,

when will it be able to do so. It is possible that some, or the majority of enterprises can give this performance. Then the investment required for a total industrial output value of 2,000 billion yuan will be somewhere between 300 million yuan and 1,200 billion yuan. Within this range, better economic results will call for less investment.

To solve the problem of insufficient funds, therefore, we must adopt various effective measures to focuss all economic work on the attainment of better economic results, so that we can produce the most suitable products to meet social needs with minimum consumption, greatly raise labor productivity and continue to raise the profit level.

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CSO: 4006/009

ECONOMIC MANAGEMENT

SUMMARY OF PROCEEDINGS AT CONFERENCE ON COMMERCIAL RESPONSIBILITY

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 9,
15 Sep 82 pp 57-59, 10

[Article by Theory Branch of Commercial Economic Research Institute of the Ministry of Commerce: "Outline of Discussions on the System of Responsibility for Management in Commerce throughout the Country"]

[Text] I. Meaning of the System of Responsibility for Management in Commerce

Name of System: Generally, five different names were proposed: the "system of responsibility for management in commerce," "system of responsibility for operation and management in commerce," "system of responsibility in the form of contracts in commerce," and "system of responsibility for profit and loss in commerce." The majority of participants favored the "system of responsibility for management in commerce" because it indicates the position of commerce in circulation and its main function in organizing the transactions of commodities. It also shows the difference between this system and the system of responsibility for production in agriculture and the system of economic responsibility in industry. This name has been in use for more than a year, and the broad masses of workers and staff members have accepted and are familiar with it. Changes in the name will cause confusion.

Concept: The majority of participants held that it should firmly adhere to the orientation of socialist business operation under the guidance of state planning; that its purpose is to improve the economic results and the quality of service; and that this is an important system of operation and management for commercial enterprises--a system which combines responsibility, rights and interests. Its special characteristics are: 1) the embodiment of the socialist nature; 2) its similarity with as well as its difference from the systems of responsibility in agriculture and industry; and 3) the clear explanation of its importance in the operation and management of enterprises.

Substance: The vast majority of participants agreed that the combination of responsibility, rights and interests is the basic substance of the system of

responsibility for management. The reason is that in this system, responsibility, rights and interests form a united entity. They are interdependent, and none of them can be missing. Without responsibility, the system will be devoid of any meaning; without rights, the conditions for responsibility will be lacking; and without interests, there will be no incentive. There have been certain systems of responsibility and distribution of interests in the past, but these three components were not closely related to one another. A combination of the three will enable the enterprise to gradually become a relatively independent economic entity which embodies the orientation and goal of economic restructuring.

Certain individuals held that the substance of the system can only be responsibility, and that rights and interests are not included in it. They believed that the system of responsibility for management cannot be considered as the sole and all-embracing system, because it only sets up and clarifies the responsibility, which should be fulfilled and examined, while the questions of rights and interests should be decided by the systems of expansion of decisionmaking power and distribution of benefits.

It was unanimously agreed that responsibility is the core of the system. As to the scope of responsibility, however, there were two different views. One of them was that an enterprise should undertake an overall responsibility. In addition to economic responsibility, there are also political responsibility, work responsibility, job responsibility, management responsibility, social responsibility, legal responsibility, and so forth. The reason for this contention was that the basic system of responsibility for the operation and management of the enterprise includes all the responsibilities in its operation and management, and that the enterprise must undertake this overall responsibility before it can embody the character and special features of socialist commerce. If the enterprise does not undertake this responsibility, the system of management responsibility will go astray. It must not be absolved of certain responsibility only because it is difficult to verify its fulfillment.

The other view was that what the enterprise should undertake is mainly economic responsibility for the reason that the system of management responsibility is in fact the system of economic responsibility in the sphere of circulation. Since politics and economics are united, the enterprise's political responsibility should be given prominence in, and fulfilled through the fulfillment of the economic responsibility. The actual political responsibility which people talk about is sometimes in line with the principle which socialist commercial enterprises must uphold, and not a by-product of the system of management responsibility. Sometimes, political responsibility itself is an economic responsibility, so that as long as the economic responsibility system is properly set up, the enterprise will be able to firmly adhere to the socialist orientation. If the substance is too much and too complex for verification and examination, the system may easily become merely a matter of formality.

There were also two different views on the substance of economic responsibility. One of them was in favor of setting up a comprehensive system of economic responsibility that is compatible with the special characteristics of commerce and capable of these functions: 1) to implement the principles and policies for the all-round fulfillment of state plans; 2) to protect, control and use enterprise property and funds effectively; 3) to expand the scope of business operation, improve the quality of service and strive to meet the requirements of production and people's daily life; 4) to improve the management and business operation, curtail circulating expenses, increase revenues and improve the economic results; and 5) to protect the interests of the state and the consumers. The other view was that just a few main economic targets will be sufficient. Some individuals even held that there is mainly one target, namely, the profit target.

The relationship between rights and responsibility: Both responsibility and rights should be in harmony. The majority of participants held that rights must be based on the responsibility, since the core of the responsibility system is responsibility, and rights must serve responsibility. In principle, rights should be based on responsibility, and should not be excessive, lest the enterprise's power may become blindly expanded.

Some individuals held that responsibility should be based on rights, since rights are not the outcome of the responsibility system, but rather its prerequisite. The extend of the enterprise's rights are determined in advance by the state according to the overall requirement of economic management, and the state gives the enterprise its responsibility according to the rights the enterprise will enjoy. However, this does not preclude their mutual accommodation.

As to the relationship between responsibility and interests, interests are the outcome of the fulfillment of responsibility as well as an economic driving force for such fulfillment. The magnitude of interests is not determined by the weight of responsibility, but rather by the extent of its fulfillment. There must be a link between responsibility and interests. For the enterprises, the interests are based on its responsibility; for the workers and staff members, the remunerations must also be based on the responsibility. Consideration must be given to the interests of all three parties, namely, the state, the enterprise and the individuals.

The origin and special features of the system of management responsibility in commerce. (passage omitted)

II. Basis for the Adoption of the System of Management Responsibility in Commerce

It was unanimously agreed that the objective necessity of the system of management responsibility should be explored according to the requirements of the operation of the economic laws and the development in economic realities; and that this necessity should be confirmed in practice.

1. The majority of people held that this is an objective requirement for socialized mass production. The actual level of management in socialist commerce now is very low, as characterized by the "crudeness," "confusion" and "laxity," and is far from adequate for this objective requirement. Therefore, it is imperative that commercial enterprises must adopt a strict system of management responsibility.

2. This is a requirement for the system of socialist public ownership. The socialist means of production are publicly owned, and the laborers are the masters of the means of production. However, the rights of ownership, use and management are separated. The enterprise and laborers lack the decisionmaking power in the ownership and use of the means of production, as well as the power of control over the result of management; and in the minds of laborers, the means of production beget the illusion of "alienation." Thus some people do not take good care of the means of production or the means of management, and pay no attention to the production and business activities of the enterprise. Through the combination of responsibility, rights and interests, the system of economic responsibility harmonizes the more closely united relationship between the ownership of the means of production by the people on the one hand and the actual ownership, use and control by the enterprise on the other with the result that the fruits from the use of these means of production will be related to the material benefits of the enterprises and the workers and staff members, and the system of socialist public ownership will be further consolidated and developed.

Some people held that the purpose of the system of management responsibility is an overall readjustment and improvement of the socialist relations of production. In addition to a combination of the rights of owning, using and controlling the means of production, and improving and consolidating the system of public ownership, it is also necessary to improve the relations of cooperation among people in production and management and to enhance the sense of responsibility among the workers and staff members so that they will all join in the effort to make the management and operation of the enterprise a success. Responsibility should be related to interests, and efforts should be made to improve the enterprise's economic results, to increase national income along with due increase of direct economic benefits for the enterprise and its workers and staff members through readjusted and improved relations of distribution.

3. Some people pointed out that adoption of the system of management responsibility is for the purpose of implementing the policy "to each according to his work."

4. Others held that the existence of commodity economy is an important basis for the system of management responsibility.

5. It was unanimously agreed that the development of the entire economy and the reform in the system of circulation are important causes for the

adoption of the system of economic responsibility. 1) It is a basic Marxist theory that the mode of circulation determines the mode of production. In the sphere of production, the system of production responsibility is now universally practiced in agriculture and the relations of production has been readjusted. The system of economic responsibility is also being practiced in industry so that responsibility, rights and interests are all combined inside the enterprises. Thus, it is necessary that circulation, playing the role of a "medium," should also practice the system of management responsibility, and the enterprises' operation and management should be improved in order to meet the requirements of industrial and agricultural production. 2) After the initial restructuring of the circulation system and the breaking of the monopoly of state-run commerce of the past, there is now business competition in commerce. This makes it necessary for state commercial enterprises to strengthen their business operation and management through the system of management responsibility, so that it will be in a favorable position and play its leading role more effectively in the competition.

Experience in the practice of the system of management responsibility in more than 1 year has shown that the overwhelming majority of experimental enterprises have enabled the state to increase its revenues, while the enterprises themselves and their workers and staff members have had more to gain. Their business activities have been expanded, their service has been improved, and they are now in a better position to meet the requirements of production and the people's livelihood. Their business management has been improved, their expenditures curtailed, and their economic results improved. Abolition of egalitarianism has begun in two respects, and the enthusiasm of the enterprises and their workers and staff members have been aroused. All this is welcomed by the enterprises and their workers and staff members.

III. Conditions for the Adoption of the System of Management Responsibility

The majority of people held that there should be favorable conditions for the adoption of the system of management responsibility. Since this system signifies an important reform, it must be carried out in a planned and systematic way. We should let those enterprises with favorable conditions take the lead. If we rush into action blindly regardless of the existing conditions, the result may turn out to be the reverse of what we expect.

A small number of people pointed out that according to the experiences of some provinces and municipalities where such experiments have been carried out, the existing conditions were not considered at all, and yet some enterprises, always backward and incurring losses, have produced fairly good results. Since this is going to be a restructuring of the commercial management system, it should go hand in hand with the reorganization of enterprises. If the system of management responsibility is practiced by only a chosen few, the overall problem still cannot be solved.

There should be five different conditions for the practice of the system of management responsibility: 1) a fairly good leading body for the enterprise; 2) a clear understanding on the part of the cadres, workers and staff members and their willingness; 3) a certain foundation of management for the enterprise; 4) the enterprise's regular operation; and 5) the cooperation of relevant departments.

There were three different views as to the extent of the necessity of these conditions. 1) The meeting of the minimum conditions should be sufficient, because if the demands of these conditions are too high, they will become handicaps and make the task difficult. 2) Since this is an important reform, we must proceed carefully. Instead of calling it off half way because of difficulties, we should set the demands higher at the very beginning and proceed slowly. We must be sure that one experimental unit has been successfully completed and consolidated before the beginning of another, so that the experiments can be successfully completed group by group. If we have to take corrective action on the mistakes brought to light later, we may impair the initiative of the cadres, workers and staff members. 3) There should be conditions for simultaneous action, namely, simultaneous action for promoting the system of management responsibility and for creating the necessary conditions. All these conditions can be created and improved in the course of experiment. There should be the necessary conditions, but we cannot "wait for conditions." Adoption of the system of management responsibility should not be separated from the creation of necessary conditions. We must see the connection between them, because some conditions can be improved only in the process of practice. In looking at the conditions, we should proceed from the present economic conditions in our country and the realities in the majority of commercial enterprises. We must realize that the restructuring of the entire economic system is still in the process of experiment, and that the conditions for the system of management responsibility can only be improved gradually along with the improvement of the entire economic situation and the progress of the restructuring of the economic system.

IV. The Principles That Must Be Observed in Practicing the System of Management Responsibility

1. Firmly adhere to the principle of the leading role of the planned economy and the supplementary role of market regulation. (passage omitted)
2. Firmly adhere to the socialist business orientation and uphold the principle of protecting the consumers' interests. (passage omitted)
3. Firmly uphold the principle of considering the interests of the state, the enterprise and the individual workers. (passage omitted)
4. Firmly uphold the principle "to each according to his ability." (passage omitted)

In addition, some people also suggested that the principle of material benefits and the principle of the combination of rights, responsibility and interests and also the basic principles must be followed in practicing the system of management responsibility.

V. The Attitude Toward the Problems Emerging in the Course of the Practice of the System of Management Responsibility

The main problems emerging in the earlier period was as follows: 1) Some enterprises pitted themselves against the state in the scramble for profits, while the workers and staff members did the same against the enterprise for their remunerations. For example, cases of tax evasion, withholding profits and taxes, falsifying reports on receipts and payments, and other violations of financial and economic laws have been increasing. 2) The practice of "considering everything in terms of money" is now spreading, while cheating on weight, increasing prices in disguise and other acts which are detrimental to the interests of consumers have also increased. 3) There were cases of one-sided pursuit for profits in violation of policies and regardless of state plans. 4) Among the enterprises, and their workers and staff members, there have been either unfair distribution of benefits and assignments of tasks or some new egalitarianism. Most of the participants held that some of these problems are quite serious, but compared with the achievements made, they are of secondary importance only. The system of management responsibility should be affirmed. While the problems should be taken seriously, their solution can be worked out gradually.

Some individuals had misgivings on the feasibility of adopting the system of management responsibility.

These are the main causes for the problems: First, one-sidedness. Some people thought that the system of management responsibility means "responsibility for profit" which is under the system of responsibility for profits and losses. They are only concerned with the distribution of benefits but neglect the fulfillment of their responsibility. This accounts for their one-sided quest for profits. Second, rushing into action on the spur of the moment. These people have not been fully prepared and have not carried out any serious experiment on the working of the system. For example, they are not clear about the responsibility and the quotas are not correctly set. Many difficult problems can be created for the system of management responsibility this way. Third, the working of the system is not synchronized with restructuring, without which, there will be, among others, irrational prices and tax rates, lack of scientific data for the base figures, inadequate system of economic laws, and financial difficulties. All these have made it difficult for the normal operation of the system of management responsibility, and discrepancies will be inevitable.

Another view was that in addition to these extrinsic factors, we should look for the causes from the system itself. Such causes are mainly as

follows: First, the expansion of power for enterprises will naturally be followed by the tendency toward decentralism. Secondly, when responsibility is linked with interest, the defect of "considering everything in terms of money" will be hardly avoidable. Thirdly, profit sharing may result in decentralism from bargaining with the state over the enterprise's share.

VI. Question of Perfecting the System of Management Responsibility

At the present stage, the following six questions should deserve attention: First, whether the enterprise has a powerful leading body which is capable of practicing the system of management responsibility; second, whether responsibility, rights and interests are closely combined to arouse the enthusiasm of the enterprise and its workers and staff members; third, whether a comprehensive and realistic system has been established along with other relevant systems to be carried out at every level; fourth, whether the principles and policies are conscientiously implemented for the overall fulfillment of state plans; fifth, whether the economic results and quality of service have been improved and the consumers' interests are being safeguarded; and sixth, whether the relations of interests among the state, the enterprise and the workers and staff members are being correctly handled, with particular attention to the state's interests and overcoming egalitarianism.

There are also the questions of verification related to that of perfecting the system. (passage omitted)

*This is a summary of the articles presented and the speeches delivered at the national conference on the theory of the system of management responsibility in commerce convened by the Economic Research Institute of the Ministry of Commerce. This summary has been prepared by this journal after considerable deletion.

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ECONOMIC MANAGEMENT

SIXTEEN METHODS FOR COMPUTING ECONOMIC RESULTS INTRODUCED

Beijing CAIZHENG [FINANCE] in Chinese No 9, 5 Sep 82 pp 19-21

[Article by Gong Yanzhen [1362 6066 3791]: "A Brief Introduction to the Methods of Computing 16 Main Indices of Economic Results"]

[Text] To improve the economic results of industrial production and to promote the "compare, learn, catch up, help and surpass" activities among various areas, trades and enterprise, the State Economic Commission, State Planning Commission, State Statistical Bureau, Ministry of Finance, State Labor Bureau and the People's Bank of China jointly issued in April this year the "Detailed Rules and Regulations for Issuing Periodical Announcements on the Main Indices of Economic Results" (hereinafter referred to as "Detailed Rules and Regulations") whereby quarterly bulletins will be issued on how the 16 main indices of economic results have been carried in different provinces, municipalities and regions; and giving the indices for computing industrial output in the overall economic trend. This is of great significance in reflecting the trend of economic results in industrial production from a macroeconomic point of view. The methods of calculation with these indices are briefly introduced as follows:

1. Total industrial output value and the growth rate. Total industrial output value is the expression in the form of value of the total volume of products produced by the industrial enterprises, including the value of finished products and the value of completed industrial work carried out for foreigners. It reflects the total scope of industrial production and the level of its development, and can be used for computing the speed of such development and various proportionate relationships.

Total industrial output value is calculated with the "factory method," that is, in each enterprise, only the final product of industrial production is counted. There should be no duplication, and the results of production by various workshops should not be added together. To eliminate the effects of price changes in different periods and to ensure that the data of the total output value in different periods, different localities and between plans and statistics can be compared with one another, a constant price centrally set up for a certain period should be used. Since liberation, we have formulated and adopted the constant prices of 1952, 1957, 1970 and

1980. Since 1 January 1982, we have all used the 1980 constant price for calculations. The statistics cover all industrial enterprises.

The growth rate is shown in percentage. The formula of computation is as follows:

Growth rate of total industrial output value

$$\begin{aligned} & \text{Total industrial output value in report period} \\ = & \left(\frac{\text{Total industrial output value in report period}}{\text{Total industrial output value in base period}} \right) \times 100\% \end{aligned}$$

(This formula can also be used to work out the growth rates in several indices in the following. It will not be repeated.)

2. The completion of plans for the output of main industrial products. This is used to reflect the production of the main industrial products according to state plans by different localities and to show the equilibrium in the fulfillment of plans. The index to be adopted: the proportion of goods actually produced in fulfillment of the plan for the output of the main industrial products. The "Detail Rules and Regulations" contain specific instructions and explanations of the way to inspect the varieties of products. The formula for computation is as follows:

Proportion of goods produced in fulfillment of production plan for main industrial products

$$\begin{aligned} & \text{No. of varieties produced in fulfillment of plan} \\ = & \left(\frac{\text{No. of varieties produced in fulfillment of plan}}{\text{No. of varieties designated for inspection}} \right) \times 100\% \end{aligned}$$

3. Rate of steady improvement in the quality of main industrial products. This is for reflecting the trend (upward or downward) of product quality from the macroeconomic point of view. The formula for computation is as follows:

The rate of steady improvement in the quality of the main industrial products

$$\begin{aligned} & \text{Leveling off or improved quality index} \\ = & \left(\frac{\text{Leveling off or improved quality index}}{\text{Quality index designated for inspection}} \right) \times 100\% \end{aligned}$$

4. Rate of reduction in the consumption of raw materials, fuel and power for main industrial products. This is for reflecting the reduced per-unit consumption of raw materials, fuel and power. The formula of computation is:

Rate of reduction in consumption for main industrial products

$$\begin{aligned} & \text{Leveling off or lowered consumption index} \\ = & \left(\frac{\text{Leveling off or lowered consumption index}}{\text{Index of consumption designated for inspection}} \right) \times 100\% \end{aligned}$$

According to the stipulations in the "Detailed Rules and Regulations," the comprehensive computation method with multi-indices is used for Items 3 and 4, because in planning, statistics and industrial management at present, there is no comprehensive index for the overall reflection of changes in the quality of industrial products or in consumption, while the changes in the indices of the quality of certain goods and in the consumption indices cannot represent the changes in the quality of all industrial goods or in the consumption required. Therefore, the comprehensive method with multi-indices is used to roughly reflect the changes in the quality of main industrial products and the consumption required in a locality. Here, two points should be noted: First, there must be a sufficient number of indices designated for inspection; and secondly, the industrial products designated for inspection must be able to roughly, reflect on the development level of industrial production in a locality. The "Rules and Regulations" also stipulate that when the relative change of a single index is equal to or less than 0.5 percent, it is considered as leveling off; over 0.5 percent, it will be either improvement or deterioration. According to the "Rules and Regulations," the relative change refers to the numerical value of the index in the reporting period divided by the numerical value of the index in the base period, but not the difference between the two numerical values. This method of computation is specially intended for Items 3 and 4.

5. The percentage of fine-quality industrial products. This reflects the increase in the quantities of those goods which have been rated by the state, the province, the municipality or the prefecture as being of fine quality, and in the increase in output. The formula for computation is as follows:

Percentage of fine-quality industrial products

$$\begin{aligned} & \text{Fine-quality output value} \\ = & \left(\frac{\text{Fine-quality output value}}{\text{Total Industrial Output value}} \right) \times 100\% \end{aligned}$$

Fine-quality output value = Fine-quality output value x unit price.

The output of fine-quality products refers to the output of those which have been formally named by the State Economic Commission, the ministries of the central government, the province, municipality or regions, and given certificates as fine-quality products; but not to the output of those matching the standard required for fine-quality goods. It refers to only certain products which have been awarded fine-quality product certificates, but not to all the products produced by the same enterprise. The price refers to the constant price of 1980, but not the wholesale price or retail price. The total industrial output value refers to the total industrial output value of all the industrial enterprises in a locality, but not the total industrial output value of the enterprises producing the fine-quality products.

6. Rate of reduction in energy consumption for the output value of every 10,000 yuan. This is used to show the utilization and conservation of energy in production and to compute the proportionate relationship between industrial production and energy consumption. The scope of statistics covers all industrial enterprises consuming more than 50,000 tons of energy each year. The formula of computation is as follows:

Energy consumption for every 10,000 yuan's output value

Energy consumption

Total industrial output value

Rate of reduction

Energy consumption for each 10,000 yuan's
Output value during report period

= $(1 - \frac{\text{Energy consumption for each 10,000 yuan's output value during report period}}{\text{Energy consumption for each 10,000 yuan's output value during base period}}) \times 100\%$

Energy consumption for each 10,000 yuan's
Output value during base period

A positive result shows the reduction of energy consumption, while a negative result shows increase in energy consumption.

7. Rate of increase in the proceeds from the sales of industrial enterprise products. The proceeds from sales are used to reflect the conditions of sales within a certain period by an industrial enterprise. Combined with other relevant indices, it can help to analyze the business results of the enterprise and show whether its goods are in demand. Sales proceeds include the income from the sales of finished and semifinished products as well as all "industrial work" [such as processing materials supplied by foreign customers]. The increased income for cigarette factories from increased cigarette prices is also included.

8. The rate of profit increase for industrial enterprises. The profit here refers to the total profit. The profit realized is an important index comprehensively showing the production and business activities of an industrial enterprise. At present, for the sake of comparison with previous data, we are adding together the total profit before the subsidy quota, the fixed funds used, and the circulating funds used (not including the fixed funds and circulating funds used in the enterprises which are paying taxes instead of handing in their profits to the state).

9. Rate of increase in profits handed in by industrial enterprises. Profits handed in, or paid into the government treasury, refers to the profits handed over by the industrial enterprises to the central or local authorities to be included in their budgets. Only those actually received by the treasury are accounted for. The profits handed over by the enterprises are an important component of the state's budgeted income. In calculating the profits to be handed over for the budget according to the present system, we have to add together the fixed funds and circulating funds used, and the income tax paid by the enterprises which have chosen to pay taxes instead of turning in their profits (including resources taxes and regulatory taxes). Should there be any change in the affiliations of enterprises in the provinces, municipalities or regions, the amount for the same period of the previous year should be readjusted according to the actual amount of the current year in comparable terms.

10. Rates of profit and tax on the output value and rate of increase, also called the profit and sales tax realized from every 100 yuan's output value. These rates are used to show the ratios of profits and tax to the total industrial output value. The higher the value of this index, the lower will be the consumption of labor and material. The formula of calculation is as follows:

Output value tax rate

$$= \frac{\text{Profit realized sales tax}}{\text{Total industrial output value}} \times 100\%$$

Rate of increase in output profit and tax

$$= \text{Profit-tax rate in report period} - \text{profit-tax rate in same period of previous year.}$$

11. Sales income tax rate of industrial enterprises and rate of increase. This shows the ratio of profit to the sales proceeds. This index can help

analyze the relationship between profit and sales proceeds and show the effects of changes in prices, production costs and tax rates on profits. The formula of computation is as follows:

$$\text{Sales income profit rate} = \frac{\text{Profit realized}}{\text{Sales Income}} \times 100\%$$

Rate of increase in sales income profit rate

$$= \text{sales income profit rate in report period} - \text{sales income profit rate of same period in the previous year.}$$

12. Number of days for the turnover of fixed circulating funds for industrial enterprises and rate of acceleration. This is one of the important indices for evaluating the use of enterprise funds and the result of business operation. The number of days for the turnover of fixed circulating funds is the number of days for a complete turnover of circulating funds in industrial enterprises. The fixed circulating funds in industrial enterprises refers to the total fixed floating assets in the balancing table. The formulas for computing the number of days for the turnover of circulating funds are as follows:

No. of days for circulating funds turnover in a month

$$= \frac{\text{Monthly average balance of fixed circulating funds}}{\text{Monthly sales income}} \times 30$$

No. of days for circulating funds turnover from 1st to x month

$$= \frac{\text{Average balance of fixed circulating funds for 1st to x month}}{\text{Ttl sales income from 1st to x month}} \times \text{ttl no. of months} \times 30$$

No. of days for circulating funds turnover in a year

$$= \frac{\text{Annual average balance of fixed circulating funds}}{\text{Annual sales income}} \times 360$$

Monthly balance of fixed circulating funds

$$= (\text{balance at beginning} / \text{balance at end of month} + 2)$$

Average balance of fixed circulating funds from 1st to x month

$$= \frac{\text{Sum of monthly balances from 1st to x month}}{\text{Total number of months}}$$

Annual average balance of fixed circulating funds

$$= \text{Sum of all monthly average balances} \div 12$$

Rate of acceleration in No. of days for turnover of fixed circulating funds

$$= \left(1 - \frac{\text{No. of turnover days in report period}}{\text{No. of turnover days in base period}} \right) \times 100\%$$

A positive result of the computation shows the acceleration of the turnover; a negative result shows a reduction in the speed of turnover.

13. Amount of finished product funds of industrial enterprises and the rate of its reduction. Finished production funds are the funds tied up by finished products which have been stored in warehouses after the acceptance checks. They are ready for sale and these funds are computed according to the production cost. If the enterprise has already sold these products but not yet instructed the bank to collect the money on its behalf, the money should also be included in finished product funds. Reduction in finished product funds reflects the reduction of goods in stock. If such funds are increased, the cause of increased stocking should be studied, so as to find out if the products are easily marketable and if their sales have been well organized, in which case the way to improve the management should be studied.

14. Reduction of production costs for comparable products and rate of reduction. Comparable products means those which have been produced in the previous year and are still being produced in the current year. Through the reduction of production costs of comparable products and the rate of reduction, we can show the consumption or conservation of materials in the process of production and the result of raised labor productivity. Since the production costs of comparable products are based on current prices, this index is subject to the effects of price changes.

Amount of reduction in production costs of comparable products = $\frac{\text{Total production cost of comparable products based on actual per-unit cost of the previous year} - \text{Actual total production cost of comparable products}}{\text{Total production cost of comparable products based on actual per-unit cost in previous year}}$

Rate of reduction of comparable products

$$= \left(1 - \frac{\text{Actual total production cost of comparable products}}{\text{Total production cost of comparable products based on actual per-unit cost in previous year}} \right) \times 100\%$$

If there is a positive result, it means the production cost of comparable products has been reduced; if the result is negative, it means increased production cost or excessive expenditures on comparable products.

The scope of statistics with such financial indices as sales income, realized profit, profit handed over to the state, sales tax, profit and tax rates on output value, profits rate on sales income, fixed circulating funds, finished product funds and production costs of comparable products covers state-run industrial enterprises included in the budget.

15. Output value per worker and the rate of increase. This is used to show the rise in productivity and the conservation of labor. The formula for computing it is:

Output value per worker in industrial enterprises

$$= \frac{\text{Total industrial output value in report period}}{\text{Total average number of personnel in report period}}$$

The average number of personnel refers to the actual daily average number of personnel.

16. Number of heavy or fatal injuries among industrial enterprise workers, and rate of reduction. This is an important index reflecting safety in production. The number of heavy or fatal injuries refers to the number of workers and staff members of industrial enterprises suffering heavy or fatal injuries. The rate of reduction is based on the number of these injuries in every 1,000 persons. The scope of statistics covers all industrial enterprises at or above the county level, either owned by the whole people or owned by the collectives.

Death rate in every 1,000 persons

$$= \frac{\text{No. of deaths in report period}}{\text{Average number of workers in report period}} \times 1000 \text{ } ^{\circ} / \text{o}$$

Injury rate in every 1,000 persons

$$= \frac{\text{No. of heavy injuries in report period}}{\text{Average number of workers in report period}} \times 1000 \text{ } ^{\circ} / \text{o}$$

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ECONOMIC MANAGEMENT

SHAANXI GOVERNOR SPEAKS ON REORGANIZATION OF ENTERPRISES

Xian SHAANXI RIBAO in Chinese 24 Aug 82 p 1

[Article: "In His Summation Speech at the Provincial Conference on Enterprise Reorganization, Comrade Yu Mingtao Pointed Out the Need To Pay Attention to Focal Points and Key Issues and To Tackle Difficult Problems Bravely in Reorganizing Enterprises"]

[Text] In his summation speech at the provincial conference on enterprise reorganization in the afternoon of 23 August, Yu Mingtao [0060 2494 3447], Provincial Party Committee Secretary, Governor and Leader of the Enterprise Reorganization Group in the province, pointed out the need to take reorganization as the central task for the industrial and communications enterprises; to pay attention to the focal points and key issues and to be brave in tackling difficult problems with a clear understanding that improvement of economic results is the final goal.

Comrade Yu Mingtao said: "In order that something can be done quickly to enable the reorganization of enterprises to show its results, we must pay great attention to the key issues. In the province as a whole, focal points are the "major establishments" of the industrial enterprises. Every prefecture and county (ward) can designate their own focal points according to varying conditions. These "major establishments" play a very important role in the provincial national economy. If we treat these enterprises as the first group of focal points and show them great attention, we will be able to change fairly quickly the present slow progress in economic development and at the same time give an impetus to the work of reorganizing hundreds and thousands of small enterprises.

Comrade Yu Mingtao continued: "There are many problems to be solved in the overall organization of enterprises, but the key issue is the reorganization and forming of leading bodies for the enterprises. The main task of the moment is to take some quick action to get things done. Specifically, we must carefully attend to the retirement of old cadres, the promotion of young and middle-age cadres, the removal of the 'three types of people' [followers of Lin Biao and Jiang Qing, people with strong factional ideas, and those who engaged in beating, smashing and looting during the "cultural revolution] and the building of new leading bodies according to the

requirements of the 'four modernizations.'" He added: "It is an urgent task for us to boldly promote a large number of competent young and middle-age cadres, and particularly those who can get things done quickly so that there will be specialized and "knowledgeable" persons in leading positions at various levels in all trades and undertakings. We must be particularly careful in selecting a number of professional persons of about 40 years of age, who have both ability and political integrity and are proficient in their professions and strong in leadership and organizational work, for the leading bodies. We should also choose those comrades who support and implement the line of the Third Plenary Session, work energetically and creatively, and are men of action, to be plant directors."

In his speech, Comrade Yu Mingtao particularly stressed the need for a work style of daring to tackle difficult problems among the leaders at various levels. He said: "Some of our enterprises have long been under chaotic management. We have carried out repeated reorganizations and arranged for special groups to be stationed in these enterprises for this purpose; however, there is still not much improvement. The main problem is that some leaders are lax and weak. They lack both determination and courage, and either dare not tackle the main problems, or have to retreat after the first attempt. We hope that after this conference, this problem will be carefully studied by all areas and systems. They should first find out whether they have the courage and determination to tackle difficult problems, to advance in the face of difficulties, to correctly handle the principal contradiction and to solve enterprise problems as though they are "pouring water from a steep cliff."

Furthermore, Comrade Yu Mingtao specially dealt with the questions of reorganizing enterprises for the purpose of improving economic results, setting up a new leadership system through the reorganization, and strengthening ideological and political work in the course of reorganization.

Vice Governor and Provincial Party Committee Secretary Jiang Yi [1203 0001] presided over the meeting yesterday. Some 1,800 including responsible comrades of the party, the government and the trade unions at the provincial, prefectural and municipal levels, and leaders of various departments on the industrial and communications front and of the enterprises, attended yesterday's meeting.

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ECONOMIC MANAGEMENT

ACCOUNTING AS MEANS OF IMPROVING ECONOMIC RESULTS DESCRIBED

Beijing CAIWU YU KUALI [FINANCE AND ACCOUNTING] in Chinese No 7,
20 Jul 82 pp 1-3

[Article by Li Baozhen [2621 1405 6966]: "Correctly Understand the Function of Accounting and Make Better Use of It in the Improvement of Economic Results"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, there has been a gratifying phenomenon of theoretical research in the accounting circles, and satisfactory results have also been achieved in the consolidation and improvement of accounting work. At the academic discussion meeting held by the China Accounting Society, the question of accounting functions attracted the attention of many participants. There were mainly two different views in the interpretation of this question: The first one held that the functions of accounting are those of an administrative nature, and that, therefore, they cover many aspects of administration, such as the function of organizing, planning, forecasting and policy-decision in advance; that of reflecting, ensuring, promoting and regulating in the process; and that of analyzing, examining, verifying and supervising afterward. The other view was that accounting has special functions of its own which are mainly for reflecting and supervising. Instead of replacing all the functions in administration, accounting only serves economic administration.

Here are my personal views on the functions of accounting.

I. How To Interpret Marx's Exposition of the Functions of Accounting

In "Das Kapital," Marx summarized the function of accounting as "regulating the process" and "summing up the concepts" of production, as we all know. However, people's interpretation of this exposition are not all the same.

The "process" referred to here broadly means the process of production, which includes production, distribution, exchange and consumption as a general process. To regulate the economic activities in the general process on the basis of comprehensive data is the function of accounting.

In my opinion, "synthesis of the concepts" would be a better translation than "summing up the concepts." According to the original text, to which I have referred, "synthesis" seems to be a more accurate translation than "summing up" is. The so-called "concepts" may be interpreted as the concepts of money. "Summing up the concepts" means a comprehensive reflection in the form of money, and that is why people are in the habit of summarizing it in the word "reflection." "Synthesis of concepts" can be a summarization of the entries in accounting, the calculations in accounting, the reporting of accounts and the setting up of accounts (or the designing of an accounting system) in addition to the analysis of economic conditions (or the use of accounts) and the accounting of economic results. The term "regulating" is generally interpreted as "supervising" which may mean supervision beforehand, in the process, or afterward. If we only interpret the terms "reflection" and "supervision" literally, we will not be able to accurately and fully express the implication of Marx's exposition of the functions of accounting. The meaning of the term "reflection" is not as deep and broad as the "summing up of concepts," while the term "supervising" is usually interpreted by people as inspecting or checking the accounts afterward. Its meaning cannot be as comprehensive as that of "regulating the process" which includes supervision in advance and afterward with particular stress on day-to-day supervision. However, because people have been accustomed to the use of the terms "reflection" and "supervision" since their importance from the Soviet Union after the liberation, and because, through long usage, these terms are regarded as synonyms of "summing up of concepts" and "regulating the process," there seems to be no need to change what people have long been accustomed to.

According to these views, the functions of reflection and supervision actually include, accounting, planning, ensuring, promoting, analyzing, inspection and many other functions. As to whether forecasting and policy-decision are also accounting functions, further discussion will be worthwhile. Accounting should provide reliable economic information to serve economic forecasting and policy-decisions, and the accounting personnel can also make calculations for cost forecasts and participate in policy-decisions in business management. Yet they can only act in the capacity of important advisers for the decision makers but cannot take over their work.

II. Correctly Understand the Relationships Between the Function Task and Role of Accounting

The function, task and role of accounting are basically identical. Strictly speaking, however, there are certain differences between them. "Function" means what something is capable of doing, or the ability and potential which objectively exist. For example, if a machine can produce 100 pieces of goods, its capability is demonstrated. However, because of the production plan or the availability of energy resources, it may not as a rule be able to produce 100 pieces. "Task" thus refers to the actual number of

pieces the machine can produce as required by the production plan. "Role" refers to the actual number of pieces produced. If the plan is not fulfilled, then the role of the machine has not been given full play. If the production plan has been overfulfilled, we can say that the machine has played its role very well. We can say the same thing about accounting. "Function" means what it is capable of doing; "task" means what it should do; and "role" means its actual performance. These three aspects should be united, but there can also be discrepancies among them.

In studying the function of accounting, our purpose is to correctly understand the capability of accounting, and then set our demands on it accordingly so that it can more effectively play its role. If we underestimate it, it will be like "a big horse drawing a small cart" or "a hero with no opportunity to demonstrate its prowess." If we overestimate it, it will be like "a small horse drawing a big cart." Exaggerating its role will also bring difficulties to our work so that even double efforts can only yield half of the result.

According to the general view, the task for accounting is to reflect on and supervise over: 1) how state plans are being implemented; 2) how are financial and economic principles, policies, decrees and systems being carried out; 3) how are property and supplies being kept and funds being used; and 4) how are the measures of increasing production, practicing economy and improving management being used. Accounting plays its role generally through making entries in the books, settlement of accounts, recording and reporting expenditures, checking the accounts, and opening accounts. It also provides the necessary information for economic management and helps in verifying financial plans, upholding financial and economic laws, protecting socialist property, improving business management and economic results, and promoting economic development.

The task for accounting is determined by its function and the needs of management. It cannot be excessive to its function. When the task for accounting is determined in accordance with its function, we should still consider the actual economic conditions and the level of enterprise management and the accounting personnel's competence, and then distinguish between the primary and the secondary needs according to the order of their importance and urgency. At present, the level of management for many of our enterprises is fairly low, our accounting force needs to be further strengthened, and the foundation of our accounting work is weak. Furthermore, the task of "reflection" is not yet completed, and that of "supervision," seriously weakened in the past, is now just beginning. Therefore, the main task for accounting should still be reflection and supervision, while strengthening the basic work and auditing is the urgent need of the moment. If a unit does not even have reliable figures to reflect on the business situation, and yet wants to make effective forecasts and policy decisions, its failure would be a moral certainty. I do not by any means rule out the role of forecasts and policy decisions in the improvement of business management; I only feel that since ours is socialist planned economy

with planned economy playing the leading role and market regulation playing the supplementary role and since there are planning departments and production, supply and marketing departments in our enterprises in charge of the plans of production, supply and marketing as well as management, it would produce even better results if these functional departments, with the cooperation of the finance departments, will conduct cost forecasts, market investigations, sales forecasts and so forth to help the leadership or the chief accountants of the enterprises with proposals for policy decisions and then letting the accounting and finance departments do their own jobs.

If we consider the future of economic development and the need to improve economic results in order to accelerate the four modernizations, we have to study the role of accounting not only in enterprise management, but also in the management of the entire national economy; and pay attention to not only microeconomic, but also macroeconomic results. Marx's exposition that when accounting is "more necessary for public production than for capitalist production" and the law of value still plays its role, accounting "is more important than ever" is entirely correct. There is no doubt that accounting will become increasingly important. However, the important role of accounting can be realized only when it performs its functions of reflection and supervision; and accounting must truly play its role in improving economic results before the work of accounting can be highly appreciated. The accounting departments of some enterprises are now studying and experimenting in the management accounting and value engineering of foreign countries in light of our national conditions and have obtained precious experiences and good results. However, there is only a small number of them. Their experiences should be popularized, but we cannot make this demand on all accounting departments. I feel that under existing conditions, if we give the accounting departments too many tasks that are unrealistic, the accounting personnel will become over-burdened, and this will not help in giving play to the role of accounting. Thus it would be more practical to give them less tasks on the condition that these tasks must be satisfactorily fulfilled or must yield better results.

III. How To Give Play to the Role of Accounting in Improving Economic Results

At present, the key to the basic improvement of our financial and economic improvement is to bring all economic work on to the path of improving economic results as the central task. We must try to produce more goods that are suitable for social needs with the minimum consumption of labor and materials. This reflects the basic socialist economic law and the law of developing the national economy in a planned and proportionate way, as well as an important task for accounting. To complete this task more effectively, we must strengthen economic accounting and shift the focus of accounting work on to the path of improving economic results as the central task.

How shall we give play to the function of accounting with a view to improving economic results? We should still start from reflection and supervision.

The basic function of accounting calls for accurate, complete and timely reflection of the actual conditions of economic activities. However, many departments have neglected this basic work with the result that such minimum requirements as the correspondence of accounts with vouchers, reports and facts, as well as between different accounts cannot be met. Many enterprises have not set up or improved their systems of keeping first-hand records, of checking the quantities before accepting deliveries, and of quota management. As a result, the calculation and verification of production costs lack a reliable basis. Worse still, some units have arbitrarily enlarged the scope of their spendings on production, included many expenditures in the production cost, raised the ceiling for the appropriation of special funds and expenditures, increased nonbusiness expenses at will, withheld the profits to be handed in or the payment of taxes, paid bonuses indiscriminately, and so forth. Such has been the cause of high production costs and consumption, low profit and poor efficiency. If the accounting figures and the indices in the accounting report forms are not accurate, how can they serve as the basis for working out quotas and plans or conducting forecasts and policy decisions? I am of the opinion that the most serious problem which is fairly common in accounting work at present is the inability to accurately reflect the actual economic situation. Therefore, we must stress the need for accurate, complete and timely reflection of the actual economic activities as the basic function of accounting. If we cannot succeed in this respect, then the improvement of economic results can only be an empty talk.

Supervision is now the weakest link in accounting work. The lack of internal control and the absence of an auditing system has been shown by the serious case of embezzlement in which Qing Suqiong [7230 4790 3825], an accountant of No 3 Jinghang Engineering Company under the Panjihua Metallurgy and Mining Company, misappropriated more than 260,000 yuan in 6 years. A weakened function of supervision in accounting will provide an opportunity for grafters and thieves and bring serious losses to the state. Furthermore, since the State Council issued a notice on the financial inspection among enterprises, violations of financial and economic laws involving 3.5 billion yuan have been brought to light, and it is estimated that 1.6 billion yuan out of this amount could be considered as state revenues. This inspection has not only strengthened law enforcement and increased state revenues, but also helped in the crackdown on economic crimes and in the reorganization of enterprises. Besides graft and embezzlement, the misuse of state circulating funds on unplanned engineering projects, extravagance and waste in the use of public funds, taking advantage of official positions to work for personal gains, and throwing parties and sending gifts at public expense are now very common. Furthermore, cases of violations of the state's pricing policy, tax evasion, smuggling and selling smuggled goods, speculation and profiteering, private distribution of public property during the

closing, suspension, merging or retooling of enterprises, and spending sprees before the year-end closing of accounts, have increased in recent years. This shows how correct and necessary is the stipulation in the Draft of the Revised Constitution concerning the establishment of auditing bodies. Unless auditing bodies are quickly established so that financial supervision can be strengthened, auditing can be conducted, and the supervisory function of accounting can be brought into play through improved internal control, the economic results, even already gained, will suffer from the encroachment of the unscrupulous elements engaging in malpractice for selfish ends. This will be detrimental to state interests and hamper economic construction.

In short, we must correctly understand and give full play to the basic functions of reflection and supervision in accounting, laid down the urgent and yet realistic tasks in the light of the actual conditions of our national economy and the existing problems in accounting, produce practical results and then gradually enhance our understanding of the importance of accounting. At the same time, we must actively train accounting and auditing personnel, so that their ability, their working conditions and quality of work can more effectively meet the requirements of the four modernizations. Only thus can we bring into play the role of accounting in improving economic results.

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ECONOMIC MANAGEMENT

BENEFITS FROM ASSOCIATION OF INDUSTRIES OUTLINED

Fuzhou FUJIAN RIBAO in Chinese 16 Aug 82 p 1

[Article by Rui Lin [3843 7207]: "Beginning of Economic Association With Other Places Wins Good Benefits for Province. Implementation of Spirit of Third Plenary Session in an Effort to Enliven the Economy"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, Fujian Province's industrial sector has actively entered into various forms of association and cooperation with places outside the province for good achievements.

Preliminary statistics show a total of more than 40 economically associated bodies involved in joint companies, partnership ventures, cooperative production and compensatory trade organized by Shanghai Municipality, Jiangsu and Liaoning provinces, and departments concerned in the central government's First Ministry of Machine Building and Ministry of Forestry. In addition, many units have entered into cooperation on individual items with units outside the province. With aviation industry departments alone, more than 50 technical cooperation contracts were signed. All this helps learn the advanced experiences of other places and promotes the province's industrial development.

Though a certain industrial foundation exists in Fujian Province, still capital is inadequate; technical facilities and production technologies are backward; management levels are fairly low; and economic effectiveness is not all it should be. In entering into economic associations outside the province, all jurisdictions are attempting to draw support from techniques, equipment, capital, and management experiences to raise their own industrial levels. After the Fujian Radio Plant signed a technology transfer contract with the Shanghai 101 Plant for its domestic "Petrel" make radio, within the space of only half a year, it built an assembly line to turn out 50,000 "Petrel" radios annually, and now these products are on the market. The Putian County Internal Combustion Engine Parts Plant entered into association with the Ministry of Aviation Industry's Jiangnan Die-Casting Plant. Last year it formed the Putian Non-ferrous Metals Die-Casting Company whose output value last year amounted to 1.2 million yuan, a 6.6 percent increase over the all-time high year. Its first exports earned \$220,000 in foreign exchange. This year's output value is forecast to be more than 1.5 million yuan and foreign exchange earnings around \$350,000.

In entering into economic associations with places outside the province, the province's departments and enterprises concerned have made sure to make full advantage of the province's special policies and of overseas Chinese villages in economic activities, to the use of strengths to make up for weaknesses, and providing mutual assistance. The Provincial Radio Bureau entered into cooperation with the Shanghai Instruments Bureau in the export of electronic products and domestically produced components for the building of television sets. Shanghai provided basic components such as 12 inch black and white kinescopes for Fujian, and Fujian helped Shanghai get key equipment and some urgently needed raw and processed materials to improve its electronic industry technique, and helped with the export of electronic products. Both parties derived benefit from the association. The East Fujian Electric Machinery Plant also capitalized on the fine quality of its products and its high export reputation to enter into an association with the Beijing Electric Machinery Main Plant, the Chongqing Electric Machinery Plant, the Xian Electric Power Machinery Manufacturing Company, the Xiangtan Electric Machinery Plant, and the Jiamusi Electrical Machinery Plant to set up the China Associated Electrical Company for joint ventures and common efforts externally to promote development of production.

Some departments and enterprises invited people in and sent people out to learn advanced techniques from fraternal provinces and municipalities. The Fujian Textile Plant and the Fuzhou Steel Window Plant, the Changting Cotton Textile Plant, and the Jiangle Artificial Board Plant invited some Shanghai enterprises to help them with construction. The Shanghai support plants undertook three technical responsibilities, and after the plants in Fujian Province that had received support went into production, they turned over some of the enterprises' profits to the Shanghai support plant. In this way the new plants got started quickly and achieved good results. Last year in response to a request from Fujian Province, comrades in charge at the Shanghai Textile Bureau led a technical training team to several textile plants including the Fuzhou Silk Printing and Dyeing Plant to make on-site inspections, to consult, and to help carry out technical improvements. Fuzhou municipal and provincial National Defense Industry Bureau units also sent a team headed by leading comrades to Shanghai to study advanced techniques. The Yongan Machinery Plant got complete plans and data for "Bee Brand" sewing machines from the Shanghai No 3 Sewing Machine Plant and produced within a short time a "Fairy Maiden Brand" sewing machine, the quality of which was up to standards, and which sold widely in all the provinces of North China.

Some enterprises also took the initiative in launching economic and technical cooperation with scientific research units in other places. They used the skilled personnel and technical advantages of these units to accelerate the development of production. The Fuding Instrument Plant linked up with provincial and municipal scientific research units in Shanghai, Guangzhou, and Sichuan, and entered into joint operations with the Shanghai Industrial Automatic Instruments Research Institute to make complete small automatic control equipment. They produced hot working instruments urgently needed in light and textile industries to fill a need in the province. Their products were sold in more than 30 large and medium size cities including Beijing, Shanghai,

Tianjin, and Haerbin. In addition, they improved the plants production capacity. The instruments increased from single variety and two specifications to nine varieties and 17 specifications. During the past 3 years output value has increased fivefold, and profits have increased ninefold.

9432

CSO: 4006/639

FINANCE AND BANKING

BANKING DEVELOPED IN NINGXIA'S RURAL AREAS

Yinchuan NINGXIA RIBAO in Chinese 20 Sep 82 p 1

[Article by Information Section of Regional Agricultural Bank: "Redemption Rate of Agricultural Loans Markedly Increased along with Banking Development in the Rural Areas of Our Region"]

[Text] The gradual improvement of our rural economy since the Third Plenary Session of the 11th Party Central Committee has also brought new vitality to our rural banking as shown by the improved economic results of agricultural loans, the steadily rising redemption rate, and the large-scale increase in savings deposits.

The widespread introduction of the system of responsibility for production in various forms since the Third Plenary Session of the 11th Party Central Committee has brought about tremendous changes in the rural economy of our region and at the same time made new demands on rural banking. To meet the needs of these new developments, the agricultural banks and credit cooperative at all levels have provided timely assistance in the form of loans for the peasants to solve the problem of fund shortage. In the 3 years from 1979 to 1981, loans in various forms totaling more than 150 million yuan were granted to the communes, production brigades and teams, and the commune members. This amount exceeded the total of 3 years from 1976 to 1978 by more than 26 percent. Thanks to the support of the government's support-agriculture funds and the banks' agricultural loans, the total agricultural output value in 1981 of the region, calculated at the current prices, exceeded that of 1980 by more than 7 percent. The output value of agriculture, forestry, animal husbandry, sideline production and fishery run by communes, production brigades and teams and the commune members also increased by 106,830,000 yuan, which has helped to speed up the development of agricultural production.

Because of the effects of "leftist" thinking and the disruption by the "gang of four," in the past, the agricultural banks could not freely make their own decisions and had to blindly use the funds, originally intended to serve the purpose of loans, as financial allocations to be spend on farmland capital construction or relief projects. They were also compelled to extend numerous loans without considering their economic results, and

many of these loans could not be recovered. By the end of 1976, the total amount of loans granted to the collectives and commune members reached 63,590,000 yuan, of which more than 70 percent were due or overdue for redemption. Marked changes have occurred since the Third Plenary Session of the 11th Party Central Committee.

Following the exercise of decisionmaking power by the banks and the improvement of economic results of the loans, the redemption rate of various loans has steadily risen. In 1979, 68 percent of the loans were redeemed; in 1980, the rate rose to 90.8 percent; and in 1981, the rate further rose to 113 percent, meaning that, besides the loans granted in the same year, the amount recovered included 5,610,000 yuan in redemption of the loans granted in previous years. The active use of credit funds has helped to speed up the turnover of funds.

Following the rapid recovery and development of agricultural production, the peasants' living conditions have improved. With more money on hand, they are enthusiastic in savings to support the four modernizations. By the end of 1980, the savings deposits of the commune members and collectives exceeded the amount at the end of 1979 by 18.9; and by the end of 1981, the amount again exceeded that of 1980 by 33 percent. The private savings of commune members have increased most rapidly. By the end of 1981, their savings exceeded the amount of 1979 by more than 91 percent. In the first half of this year, the savings balance in the countryside exceeded those in the same period last year by more than 39 percent. Based on the population of the region at the end of 1981, the per-capita savings worked out to be more than 22.80 yuan.

9411

CSO: 4006/038

ENERGY

CONSTRUCTION OF LARGE PIT-HEAD POWER PLANTS REPORTED

Beijing GONGREN RIBAO in Chinese 28 Aug 82 p 1

[Article: "A Large Number of Pit-Head Power Plants Newly Constructed in Our Country"]

[Text] To make use of locally available coal to improve the economic results and to reduce the strain on railway transport, our electric power departments have since 1979 constructed a large number of large pit-head power plants in coal bases in Shaanxi, Henan, Jiangsu, Shandong, Shanxi, Hebei and Henan. The total installed generating capacity of the power units has reached 3,175,000 kilowatts.

Building power plants in mining areas with rich coal resources has the advantages of not only making full use of the local coal resources, guaranteeing the supply of fuel for power generation, reducing the pressure on railway transport and lowering the cost of power generation, but also minimizing environmental pollution in the cities from the smoke of power plants. This is a new measure for the state to accelerate energy production. The Douhe Power Plant in Tangshan Mining Area, Hebei Province, is the largest pit-head power plant being built. It already has a generating capacity of 750,000 kilowatts. There are still four more home-produced power units of 200,000 kilowatts to be installed, thus bringing the total generating capacity of the plant to 1,550,000 kilowatts. A number of large pit-head power plants are also being built or expanded in Huainan and Huaibei in Anhui Province. The total generating capacity of the units already installed is now 1,150,000 kilowatts. When the three power units now under construction are completed, the total installed capacity will be more than 3 million kilowatts, and this area will become the largest thermo-power generation center in eastern China.

9411

CSO: 4006/006

RESUMPTION OF LARGE SCALE FLUORSPAR PRODUCTION URGED

Guangzhou NANFANG RIBAO in Chinese 9 Aug 82 p 2

[Article by Wen Yuefeng [3306 1547 1496]: "Why Has the Province's Production and Export of Fluorspar Declined Over the Years?"]

[Text] Editor's Note: In its increase of export trade, Guangdong Province should devote serious attention to development of mineral products at low cost that generate fairly high foreign exchange earnings, particularly non-metallic mineral products, as well as the export of hand-work and special handicraft products in a gradual decrease in the ratio of agricultural sideline products exported. Increase in the export of mineral products such as fluor-spar would not only result in no competition with domestic products for commodities or no competition with industry for raw materials, but would require little investment for quick results. The decline in the province's fluor-spar exports over the years has been a loss for the country and for collectives. It is hoped that all jurisdictions and all departments concerned will work together to do a good job of fluor-spar production and exports.

The export of Guangdong fluor-spar has been going on for more than 20 years. At its height in 1974, there were a few score mining sites, large and small, and both amounts procured and amounts exported were fairly high for foreign exchange earnings amounting to several million dollars annually. During the past several years, however, a gradual decline has taken place, and in 1979 exports were 46 percent of what they had been in 1974. In 1980, they declined another 8 percent from 1979. Procurement declined 60 percent between 1961 and 1974, and today the number of mining sites remaining are only 60 percent of the original number. Why has the province's fluor-spar production and exports declined? The main ones are as follows: (1) Fluor-spar production depends, for the most part, on privately developed mines using primitive techniques the basic and supplementary materials for which, such as mine timbers, cement, electric power equipment, and electric power supply, are not made a part of state distribution plans. People have to find a way to provide these things themselves or buy them at negotiated prices, which increases costs. (2) There

is a shortage of transportation for short distance hauling, and production cannot be hauled away promptly. This hurts the circulation of capital in production departments. (3) Countries, communes, and brigades all levy fees, so workers get slight benefits. (4) At old mining sites, the pits become increasingly deep while production equipment becomes increasingly old. Techniques for mining cannot keep pace, and there is no discovery of or replacement by new mining sites. (5) As regards exports, inasmuch as efficiency is low in the loading and unloading of cargoes in Guangdong harbors, some traders do not want to do business with Guangdong in fluorspar. An Australian firm had agreed to purchase several thousand tons of fluorspar from Guangdong Province, but because of the low efficiency in loading and unloading of cargoes in Guangdong ports, which delayed marketing, traders turned to Shanghai to place orders.

Fluorspar is used primarily in metallurgy, chemical industries, porcelain, plastic sheeting, synthetic rubber, solvents, degreasers, anesthetics, uranium concentration, glass etching, stainless steel pickling, etc. Since the calcium fluoride content of Guangdong fluorspar is moderate and the sulfur content low, it has been well received by foreign traders and has been one of the major commodities traditionally exported from the province. It has been marketed in more than 10 countries and regions, and its superior quality has won the confidence of customers. It annually created impressive foreign exchange earnings for the country. If all jurisdictions and all departments concerned will coordinate and proceed from the overall situation to take genuinely workable action, the aforestated existing problems can be solved, and both production and export of Guangdong's fluorspar can be greatly developed.

9432

CSO: 4006/639

INDUSTRY

BRIEFS

PETROLEUM REFINING BASE--Shenyang, 14 Oct--Liaoning Province now has more than 420 petrochemical industrial enterprises, turning out a complete variety of petroleum products, processing 28 percent of the state's crude oil and producing more than 40 percent of the state's pure soda ash. It has become one of China's important petrochemical industrial bases. Liaoning's eight big and medium-sized oil refineries can now process more than 25 million tons of crude oil a year. Moreover, the oil refining industry is being run on a large scale, with its equipment and technology attaining a comparatively advanced level. Its multimetal catalytic rearrangement, catalytic cracking and urea dewaxing devices have attained advanced world levels. According to preliminary statistics, the province now turns out more than 130 varieties of petroleum products and more than 1,000 varieties of industrial chemicals. Among them, the No 3 jet fuel, petroleum methylbenzene, No 54 refined white wax, No 25 cold engine oil, No 85 automobile oil, No 35 light diesel oil, isopropyl alcohol, industrial ammonium bicarbonate, ammonium nitrite, industrial potassium chlorate, high-pressure wired rubber pipeline and tubeless airplane tires have attained advanced world levels. Liaoning Province now exports more than 130 varieties of petrochemical industrial products to more than 70 foreign countries and regions including Japan, the United States, France, West Germany, Italy and Canada. Among them, high-quality gas, aviation kerosene, refined white wax, soda ash, caustic soda, inorganic salts, farm chemicals, dyestuff, carbon black and rubber products enjoy great prestige abroad. [Text] [HK150811 Beijing ZHONGGUO XINWEN SHE in Chinese 0947 GMT 14 Oct 82]

GUANGDONG MUNICIPALITY EXHIBITION--Today the Foshan Municipal Economic Committee, the Municipal Science and Technology Committee and the Municipal Federation of Trade Unions jointly opened an exhibition of new industrial products in the Foshan Workers' Cultural Palace, which will last 10 days. The 200 factories and enterprises of the 17 trades in the industrial and communications system throughout the municipality have sent approximately 2,000 samples for display. Since 1979, the municipality has trial-produced some 1,300 new products, 970 of which have now been produced and 35 of which have won the honorable title of quality product. [HK041302 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 1 Oct 82 HK]

CSO: 4013/37

CONSTRUCTION

PUBLIC ASSISTANCE FOR PRIVATE HOUSING PROJECTS REPORTED

Beijing GONGREN RIBAO in Chinese 28 Aug 82 p 1

[Article: "Workers and Staff Members of Posts and Telecommunications System Building Their Own Houses with Public Assistance"]

[Text] The method of "private construction with public assistance" has been extensively used in the posts and telecommunications system throughout the country to alleviate the housing shortage with remarkable results. According to the statistics compiled by the posts and telecommunications administration bureaus in 18 provinces, municipalities and autonomous regions, some 600,000 square meters of floorspace--which is equivalent to the total area of living space built by the posts and telecommunications departments in the country with government funds in 1 year--has been built with this method in the past 2 years. This was enough to improve the housing conditions of more than 13,000 workers and staff members.

The method of "private construction with public assistance" was first used by some posts and communications enterprises in Jilin, Fujian and other provinces and municipalities in 1980. Since this method was introduced, many posts and telecommunications administration bureaus in other provinces, municipalities and autonomous regions have encouraged their workers and staff members to build their own houses in accordance with the same principle and in different forms as a means of alleviating the difficulties of housing shortage. The special characteristics of "private construction with public assistance" is that it calls for less investment from the enterprises, but yields quick results. In 1981, an area of more than 300,000 square meters for the housing of workers and staff members was completed with this method in 18 provinces, municipalities and autonomous regions in the country. The urgent needs of some 6,000 households were met and the enterprises spent only some 4 million yuan in the way of assistance.

Recently, the Ministry of Posts and Communications and the party committee of the Federation of Trade Unions in the Posts and Communications System held a conference in Changsha, Hunan, to popularize this method. The conference called on all provinces, municipalities and autonomous regions to enhance their understanding of this method, adopted positive measures in the light of realities, and gradually incorporate this method in their plans for the housing of their workers and staff members.

9411

CSO: 4006/006

CONSTRUCTION

GUANGDONG RURAL HOUSING CONSTRUCTION FLOURISHING

Guangzhou YANGCHENG WANBAO in Chinese 10 Sep 82 p 1

[Article by staff correspondent: "Rural Housing Construction Craze in Southern Guangdong"]

[Text] Staff reporter Luo Wenjin [5012 2429 6930] reports: Currently in Guangdong Province, from the Chaoshan plains to the Zhujiang delta, and from the remote area of Hainan Island to the high mountain ridges of Guangdong's Beishan District, well-to-do peasants have gone in for large-scale construction to build new residences. According to the estimates of the new rural construction office of the Provincial Construction Commission, about 1 million peasant households have built housing throughout the province this year. The number, rate, and scope are all unprecedented. A "housing construction craze" has occurred throughout southern Guangdong.

The peasant housing construction craze gradually came into being after 1979. According to statistics of the concerned departments, homes were built by 1.36 million peasant households throughout the province in 1980 and 1981; this constitutes 14 percent of all rural households. The area under construction amounted to over 72.5 million square meters. According to calculations based on the number of peasants throughout the province, there was an increase in area of 1.5 square meters for each peasant.

The most critical area at present is building materials. The peasants complain that they are unable to purchase cement and glass. Despite the fact that construction material plants recently set up by commune enterprises number in the thousands, bricks, tiles, flagstones, and lime nevertheless are still in great demand. Supply frequently fails to meet demand. The dwellings built by peasants are also more tasteful. In particular, the dwellings built by peasants in counties which became wealthy early on, such as Nanhai, Shunde, Fanyu, Dongwan, Zhongshan, and Xinhui, as well as the dwellings built by peasants in the suburbs of Guangzhou, Foshan, Shenzhen, and Zhuhai, are for the most part two- or three-story buildings. They spent funds of all sorts, so the quality is very high and far exceeds that of the houses built by landlords in former times.

In the first half of 1980, the provincial people's government set up the "new rural construction office" especially to deal with such work. The province

picked out 10 counties to be pilot projects. Proceeding from actual conditions, certain regions and counties designed some rural residences which were adapted to the plains, mountain areas, seashore, etc., for the peasants to choose from when building houses. Despite the shortages of construction materials, the province and some regions and counties still managed to get hold of lumber, steel materials, glass, and cement with which peasants could build houses. Some production brigades practiced "public assistance for construction by the people" and provided essential support in terms of land, labor, funds, and building materials.

At present, the greatest problems in peasant housing construction throughout the province are the misuse of cultivated land, the waste of land, and the lack of planning in housing construction. Each area is just now adopting measures and earnestly strengthening control and guidance in peasant housing construction.

9864

CSO: 4006/004

CONSTRUCTION

URBAN HOUSING CONSTRUCTION MAKING PROGRESS IN LIAONING

Shenyang LIAONING RIBAO in Chinese 14 Aug 82 p 1

[Article: "In 3 Years, Our Province Has Constructed Over 18 Million Square Meters of Housing"]

[Text] Urban housing construction in Liaoning has increased by leaps and bounds. The total amount of investments during the past 3 years is equivalent to the sum total of investments in housing construction during the 28 years from 1950 to 1977. The housing built during these 3 years has reached 18,355,000 square meters, which is equivalent to 1.6 times the amount of housing built between 1966 and 1976. Residents of over 360,000 households throughout the province have moved into new dwellings.

While building houses, each region has also accelerated the reconstruction of old districts. In the past 3 years, over 1,833,000 square meters of dilapidated housing throughout the province have been demolished. In the old urban districts, about 70 percent of total housing construction has involved building new houses and buildings. At the same time, there are also plans for the reconstruction of some slum areas such as Wanquanli, Dongshun, and Zhujianlu in Shenyang Municipality and Taoguan in Anshan Municipality. This will enable tens of thousands of residents who for many years have lived in low-lying, dark, damp, uncomfortable, and crude dwellings to move to newer and better residences. The masses have said with much joy: "We who live in multistory buildings are truly one step closer to heaven! This is all due to the fine line of the Third Plenary Session!"

Along with the improvements in the people's standard of living, designs for new housing throughout the province have advanced and have become more practical and functional. In recent years the interior area of newly built buildings, kitchens, and passageways have all become more spacious than ever before. The majority of residences are equipped with private kitchens and bathrooms. In buildings over two stories high, balconies have been built, and in some there are suspended cabinets and built-in closets. In qualified areas, gas has been installed and garbage cans and mailboxes have been set up. On the first floor, surrounding walls have been added for the benefit of the people.

9864

CSO: 4006/004

CONSTRUCTION

WATER SUPPLY PROJECTS UNDER WAY IN LANZHOU, TIANSHUI

Lanzhou GANSU RIBAO in Chinese 4 Sep 82 p 2

[Text] The second phase of Lanzhou's water supply project and Tianshui's water supply project are under construction. After 3 years of expansion and tapping potential for reconstruction, the daily water supply capacity in cities throughout the province increased from 1.08 million tons in 1978 to 1.45 million tons in 1981. The number of people using the water increased to 95,000. In the past 3 years, many localities have focused on building water supply facilities in small cities and towns as a major means for improving the people's standard of living and sanitary conditions. Due to joint investments by the state, localities, and enterprises, the cities of Dunhuang, Anxi, Subei, Zhangye, Shandan, Sunan, Gulang, Jingtai, Huining, Longxi, Linxia, Hezheng, Maqu, Yongdeng, Pingliang, Zhuanglang, Jingchuan, Qingyang, Zhenyuan, Lixian, Zhangxian, and Zhangjiachuanxian as well as cooperative towns and 23 small cities and towns were all able to build or extend water supply facilities. Their newly added daily water supply capacity was 18,700 tons. By the end of 1981, 48 of the 82 small cities and towns throughout the province had built simple water supply facilities, and the number of people using the water had increased to 450,000. In the past, residents of county towns such as Longxi and Huining in the central arid region used to get their drinking water from local wells and stored water. There were water shortages, and the water was of poor quality. People were often anxious about problems relating to drinking water. The installation of facilities for running water has greatly benefited the people.

There have also been noticeable changes in city traffic. Lanzhou, Tianshui, and Pingliang have added 68 buses. The various enterprise businesses in Lanzhou have added over 100 transportation vehicles to carry and fetch staff and workers to and from their offices. This has made things more convenient for staff and workers.

9864

CSO: 4006/004

BRIEFS

GANSU HOUSING CONSTRUCTION--Due to the fact that national, local, enterprise, and individual initiative has been given full play, urban housing construction in Gansu has for 3 straight years set new records since the founding of the nation. From 1979 to 1981, the cumulative total area of completed housing construction was 4.32 million square meters. The housing area that was made available during those 3 years is equivalent to the total amount of housing built during the decade from 1968 to 1978. There are over 80,000 households and over 300,000 urban residents who have moved into new housing. Living conditions have improved. According to statistics from the four cities of Lanzhou, Jiayuguan, Tianshui, and Yumen, the per capita living area of the urban population increased from 3.7 square meters in 1979 to 4.3 square meters in 1981. The Nanhetao residential district of Lanzhou, which is under construction, was originally an expanse of open floodland. At present a multi-story building is just going up. Construction has also begun on corresponding municipal government service support projects. The houses and buildings in this residential district embody functional, economical, and artistic principles in their design criteria. In their layout plans, overall arrangements have been made for the planting of trees and flowers and for essential living and educational facilities. While striving to build public housing, Tianshui, Dunhuang, Linxia, and other cities and counties have followed municipal plans and have organized urban residents to build their own homes based on the actual conditions in their area. [Tex] [Lanzhou GANSU RIBAO in Chinese 4 Sep 82 p 27 9864

SHAANXI CAPITAL CONSTRUCTION--Since the Third Plenary Session, our province has conscientiously implemented the policy of national economic readjustment and strictly controlled the scope of construction. We have resolutely reduced the capital construction front and rationally readjusted the direction of investments. The major productive capacities that have been added during the past 3 years are: 40,000 tons in steelmaking, 3.3 million tons in raw coal mining, 40,000 tons in crude oil extraction, 280 million watts in generator capacity, 288 kms in electric railways, 48,000 spindles of cotton yard, 200,000 tons of cement, and 187,000 student positions in various schools. After 3 years of readjustment, the scope of real investments in capital construction throughout the province has been reduced by 16 percent. National budgeted investments have been slashed in half. The proportion of investments in nonproductive construction such as housing, culture, education, sanitation, welfare institutions, etc., to the total amount of investments in capital construction increased from 19 percent in 1978 to 35 percent. It has reached the highest level since the founding of the nation. In the area of nonproductive construction, housing construction has showed outstanding growth. During the past 3 years, the area of completed housing reached 6.18 million square meters, setting the highest record in history. [Tex] [Xian SHAANXI RIBAO in Chinese 25 Aug 82 p 17 9864

DOMESTIC TRADE

BRISK MARKET IN SHANGHAI ON NATIONAL DAY PREDICTED

Shanghai JIEFANG RIBAO in Chinese 18 Sep 82 p 3

[Article by Chun Xiang [2504 4382]: "Rare Stability and Prosperity for Industrial Goods Market on Festive Day"]

[Text] Because of the development of industrial production and the increase in people's consumption, the market in our municipality for industrial goods of daily use is showing such stability and prosperity as rarely seen before. On the eve of the national day, many stores, large and small, displayed a profusion of goods, with customers milling around before the counters and choosing what they want to buy. They are all in high spirit.

For this year's national day, the commercial departments have released for sale large quantities of commodities of various varieties and designs. According to statistics compiled by the First Commercial Bureau, most of the 50 main industrial products for daily use available for sales have shown increases over last year; only a small portion for wholesale has been reduced. Increases this year are particularly high in those items needed by newly married couples, the sundry goods for daily use, and household electrical appliances. Bedsheets has increased by 10.7 percent; woolen jackets and trousers, by 20 percent; and thermos jars, by 22 percent. The supply of "lasi" [2139 4828] cups which has long been inadequate for the demand, will be increased during the National Day period by more than 39 percent over the same period last year. TV sets have also increased by 14.6 percent, compared with the same period last year, and the number of those with 14-inch, or larger screens, and the home-produced all-channel sets have been almost doubled. Desk-type radios of Chunlei [Spring Thunder] and Haiyan [Sea Swallow] brands, and various types of tape recorders have been increased by more than 15 percent.

The commercial departments have actively improved their methods of supply to meet the consumers' requirements. The "three-five" desk clocks, leather shoes, the greater part of woolen yarns, and some pure cotton kakhi cloths, which were on ration not long ago, are now freely sold. Since September, camel-hair padded jackets and linen facings of quilts have been off rationing. Even all-wool garbardine is freely sold for the

time being. For their purchases of goods, produced locally or in other places, before the end of October, the consumers are not required to present their coupons.

During the National Day period this year, the supply of brand-name and special products is greater than in previous years. The well-known Pei Luomeng, Peng Jie and Wu Liangcai stores have opened their branches in the Second Nanjing Road and Eastern Jinling Road. In Luwan and Jinganji areas, a number of garments and leather shoes stores have recently been opened dealing in various kinds of clothing and footwears of unusually large or unusually small sizes for elderly people, to suit the requirements of different types of consumers.

The 12th National Party Congress has laid down the strategic policy of developing two civilizations, which has greatly encouraged the commercial workers and staff members. Civilized manners in doing business, courtesy to customers, and wholehearted service to the people are now extensively practiced. The department stores, and the stores dealing in hardwares, means of transportation, electrical appliances, garments, shoes, hats and textile goods and the wholesale departments of the procurement and supply centers for cultural supplies in the municipality have recently held exhibitions and wholesales meetings to which wholesale departments at three levels, state-run stores and basic-level supply and marketing cooperatives were invited to select what they want according to the samples. To suit the convenience of consumers and enable to buy things in places close to their homes as well as to avoid overcrowding, the method of combining wholesale with retail sales, and holding exhibitions and sales meetings in separate places has been adopted for various cotton knitwears and textile products. Before the National Day, there will be 33 department stores and textile stores holding exhibitions and sales meetings simultaneously in the municipality.

9411

CSO: 4006/009

DOMESTIC TRADE

COMMODITY PRICES CHECKED WITH CRACKDOWNS ON VIOLATORS

Yinchuan NINGXIA RIBAO in Chinese 1 Sept 82 p 1

[Article: "Fairly Good Results From Inspection and Reorganization of Prices of Goods Throughout the Region; Maintenance of Price Policies and Handling of Cases Involving Violations of Discipline"]

[Excerpt] Since 1981, all prefectures and all departments in the Ningxia-Hui Autonomous Region have several times organized inspections of commodity prices for fairly good results. As of the end of June, a total of 598 cases involving violation of price policies and discipline had been investigated and handled throughout the region, more than 381,000 yuan returned to customers, paid to the treasury or levied in fines, 57 persons who had violated discipline punished economically, and 12 violators of discipline administratively disciplined. Individual prefectures and departments inspected an accumulated more than 400,000 commodity list price and fee standards, reorganized a group of negotiated purchase and negotiated marketing prices, corrected more than 3,000 instances of general pricing errors, and rectified or prohibited more than 1,000 inaccurate measuring devices. The price inspections and reorganizations played a fairly good role in putting a stop to inflationary price trends, to halting rumors about price increases, to ending violations of discipline, and to enforcing price discipline.

Since last year, in order to carry into effect the spirit of the State Council's "Notice on Strict Control of Prices and Reorganization of Negotiated Prices," the people's government at all levels, as well as departments concerned directly responsible to the region, established commodity price inspection and reorganization leadership teams or offices and transferred more than 2,450 man times to the organization of three regionwide major commodity price inspections. Leadership unit spot checks, supervision, and urgings, spot checks and mutual checking organized by professional departments responsible for work, inspections conducted by individual units themselves, conscript inspection personnel, regular inspections of specific sites, and mass reporting of offenses and unmasking of offenders made the price inspections both wide-ranging and fairly thoroughgoing. Since last winter, attention was also directed to the investigation and handling of major cases involving violation of discipline. A total of 64 cases involving more than 1,000 yuan each have already been investigated and disposed of. The total sum of money involved in these cases was more than 287,000 yuan. Eight of the cases were major ones

involving more than 10,000 yuan each for a total of 180,000 yuan. This year, each city and county in Yinchuan Prefecture has specially checked into the prices on almost 10,000 new bicycle brands and stopped price fixing and arbitrary increase in prices of bicycles.

In the course of the price inspections, CPC committees at all levels and some leadership comrades in the Standing Committee of the National People's Congress, the government, and the People's Political Consultative Conference personally organized participation in price inspections. Disposition of major cases was done through hearings and decisions by government at all levels.

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CSO: 4006/654

DOMESTIC TRADE

RENEWED EMPHASIS ON MARKETING OF INDUSTRIAL GOODS IN COUNTRYSIDE

Shijiazhuang HEBEI RIBAO in Chinese 21 Aug 82 p 1

[Article: "Expansion of Industrial Goods in Countryside to Initiate New Situation in Commercial Work; Provincial Government Convenes Provincial Finance and Trade Conference to Study Further Implementation of State Council "Decisions" and Problems in Reorganization of Financial and Trade Enterprises"]

[Text] From 9 to 15 August, the provincial government convened a provincial work conference on finance and trade. This conference concentrated on the study of further implementation of the State Council's "Decisions on Keeping Open City and Countryside Commodity Flow Channels and Expansion of Industrial Products in the Countryside" as well as on problems in reorganization of financial and trade enterprises.

Attendees at this conference were leadership comrades in charge of financial and trade work in all prefectures, counties, and municipalities, and comrades in charge from departments concerned, including the finance committees of each prefecture, enterprise reorganization offices, commercial bureaus, and supply and marketing cooperatives. Comrades in charge of bureaus, trades, and agencies of the financial and trade system under direct provincial control, as well as comrades in charge from all departments concerned under provincial control also attended. At the conference, everybody exchanged notes on implementation during the previous stage of the State Council's "Decisions," and on the reorganization of enterprises. They also discussed revision of provincial government regulations (draft) on implementation of the "State Council Decisions on Keeping Open City and Countryside Commodity Flow Channels and Expansion of Industrial Products in the Countryside." During the period of the conference, Li Feng [2621 6912], deputy provincial governor in charge of day-to-day affairs, and deputy provincial governors Guo Zhi [6753 1807] and Hong Yi [3163 3015] made speeches.

The conference acknowledged that during the previous stage all levels of government and all commercial departments had achieved preliminary results in the implementation of the State Council's "Decisions." However, many places in the province were still in the pilot project stage; actions have been rather slow; and they are still a far way from attaining the State Council's requirement for visible results by the end of September. They must take vigorous action to catch up quickly. The conference called for all levels of government

in the province to implement the State Council "Decisions" as a current major economic task, to designate comrades in charge to take personal charge, and to get results by the end of September. They should further study the State Council's "Decisions" to get a correct understanding of the dialectic relationship between production and circulation, strengthen leadership of commercial work, vigorously develop commerce, do a good job of circulation, assist production, and accommodate the masses. They should deeply understand the urgency of changing commodity flow in terms of the old system of division of labor between cities and countryside, increase consciousness about institution of a new system based on commodity division of labor and exchange between city and countryside, firmly establish the idea that rural villages are the main markets for industrial goods in the countryside. Industrial, public, financial, banking, pricing, revenue, and industrial and commercial administration and management sectors should also expand forces contributing to the movement of industrial goods to the countryside in implementation of the State Council "Decisions" to open commodity flow channels. The conference noted that only slightly more than a month remains until the end of September, the time called for by the State Council to produce a new situation in the movement of industrial goods to the countryside. Therefore, all jurisdictions should proceed from the pilot projects of the previous stage to take resolute action to hasten the pace. The commercial and supply and marketing sectors should proceed from the overall situation to work together to serve rural markets and to correct the concepts of doing business solely for the sake of doing business, business to make profits, and to take over territories. They should strive to be advanced and to compete in making contributions in carrying out the State Council's "Decisions." They should actively organize wholesale organizations to extend help. In key market towns below the county level, state-owned county wholesale companies or nearby second category stations should actively enter into jointly conducted wholesale business with grassroots supply and marketing cooperatives so that large quantities of goods suited to rural needs are presented to the peasants with all possible speed. County seat wholesale companies should be separated from retail shops with all possible speed, and independent accounting should be conducted by each so that wholesale units can concentrate forces on attention to wholesale business to do a good job of getting industrial goods into the countryside. It is necessary to proceed from realities and effect reforms actively and securely in the rural shops commissioned to buy and sell in accordance with the desires and demands of the masses. State-owned wholesale companies should establish a mentality of reliance on grassroots supply and marketing cooperatives to do a good job of getting industrial products into the countryside, treat them as though they were their own retail network points, help them do a good job of dealing in industrial products, and make full use of the role of grassroots supply and marketing cooperatives in getting industrial products into the countryside. Grassroots level supply and marketing cooperatives should actively deal in cement, steel, windows, steel windows and such materials needed by peasants to build houses, and planning, materials, and construction material departments should render active support. The role of collective and individual businesses and of other business channels should continue, new ways of getting industrial goods into the countryside be steadily opened, and every available means used to open channels for getting industrial goods into the countryside. Simultaneous with restructuring of the commodity flow system, commercial departments

everywhere should vigorously launch a sales promotion campaign geared to the farflung rural villages to spark a rapid upsurge in the movements of industrial goods to the countryside and a sales promotion campaign. The conference discussed the problem of financial and trade enterprise reorganization. They felt that the orientation of financial and trade enterprise reorganization during the first half of this year was on the mark and that results had been good. However, some problems still remain, the most important ones being lack of vigor in leadership, insufficient confidence, no conspicuous emphasis, and a not very rapid increase in economic benefits. The conference called upon leaders at all levels in the province's financial and trade system to further increase their understanding of the importance of doing a good job in enterprise organization and make a firm decision to adhere to high standards, be demanding, and to take a firm grip on reorganization of the first group of enterprises as a prelude in creating experience and laying a good foundation for subsequent enterprise organization. In the reorganization process, it is necessary to focus very very closely on the goal of improved economic effectiveness, emphasize solution to major problems existing in enterprises, and stress reorganization of leadership teams; to perfect enterprise business responsibility systems, and improve economic effectiveness. Furthermore, firm attention should be directed to attacks against serious criminal activities in the economic field with indoctrination against corruption being given the broad masses of party members, cadres, and employees to build a good financial and trade corps.

The conference proposed that in addition to devoting major emphasis during the last half of this year to keeping open commodity flow channels so as to expand the movement of industrial goods to the countryside, and to reorganizing enterprises, the following several points should also receive attention: One is to take a firm grip on increasing income while conserving expenditures in an effort to realize a balance between income and expenditures plus a slight overage in the province's public finances for the year as a whole. Second is vigorous procurement and marketing of agricultural sideline products. Third is a widespread launching of a campaign to learn from national business special class labor model, Zhao Chun'e [6392 2504 1230], and a deepgoing promotion of the experiences of the Qinhuangdao commercial service building for genuine solution of problems with low quality commercial service and a poor service attitude for great improvement of the level of service in the financial and trade system throughout the province.

The conference pointed out that commodity flow is currently the weak link in the province's economic work. All levels of the provincial government should both devote attention to production and give serious attention to commodity flow, further strengthen leadership of financial and trade work, and strive to create a new situation in the province's commercial work.

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CSO: 4006/654

FOREIGN TRADE

EXTENT OF CITY'S FOREIGN TRADE DISCLOSED

Tianjin TIANJIN RIBAO in Chinese 28 Aug 82 p 1

[Article by Yu Kun [5148 0981]: "Greater Development of Foreign Trade For City; Adherence to External Liberalization Policies For Expansion of International Trade Transactions"]

[Text] Following the Third Plenary Session of the 11th Party Central Committee, Tianjin Municipality has adhered to active expansion of international trade transactions and has achieved good preliminary results from external economic trade, which plays an active promotional role for the municipality's four modernization construction.

For more than 3 years the Municipal CPC Committee has taken a series of major actions to promote rapid development of the municipality's foreign trade. In 1981 gross output value of the city's procurement of goods for export had increased 1.25 times over 1978 and had increased as a proportion of the municipality's gross output value from 7 percent in 1978 to 12 percent, earnings from exports increasing by 78 percent. This year, despite the slump in international markets and intensified competition, value of goods procured for export during the first half of the year was still up 13.6 percent over the same period last year. North China's main port, Tianjin, played the role it should play.

Tianjin is located on the seacoast where it is easy to get in and out of, and it is strong in processing capacity and technical forces. In order to make full use of these advantages, effectively use foreign sources of funds, and enliven the domestic economy, during the past several years Tianjin has vigorously developed the importation of materials and parts for processing for the export trade. During the past 3 years, it has signed agreements with almost 100 customers in 13 countries or regions for the importation of goods for processing, and has signed 344 small compensatory trade contracts for the importation of advanced equipment with a value of more than \$1 million from which fees for wages, depreciation, supplementary materials, management, fuel, and taxes amounting to close to \$40 million can be collected. Labor and technical cooperation with foreign countries has also begun and definite results have been achieved.

Following the Third Plenary Session, a good beginning has also been made in Tianjin's use of foreign capital and the introduction of advanced skills and equipment. As of the end of 1981, the city's use of foreign capital including foreign exchange loans, joint ventures, compensatory trade, cooperative production, importation of software for use fundamentally in the improvement of old enterprises, and expansion of reproduction has been done in 128 instances. Foreign capital used totals \$118 million. By the end of this year, most ventures will start up and produce results. For equipping of existing plant buildings and communal facilities in old enterprises, plus renminbi equipping loans has meant an average increase in industrial output value of 10 yuan for every \$1 of foreign capital used, and foreign exchange earnings of \$2.40 from exports. This year use of foreign capital has accelerated. Use of foreign capital and use of sources of foreign exchange during the first half of the year has been done in 88 instances, a total of more than \$90 million in foreign exchange being used. For a group of mainstay items that play a major role in economic construction, agreements with foreign countries will continue to be signed.

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FOREIGN TRADE

INCREASED FOREIGN EXCHANGE EARNINGS PERMIT IMPORTATION OF CAPITAL EQUIPMENT

Fuzhou FUJIAN RIBAO in Chinese 27 Aug 82 p 1

[Article by Gu Deqi [7357 1795 3823] and Xiao Yu [5135 0151], Provincial Government Office: "Increase in Province's Foreign Trade Advances Industrial and Agricultural Production Following Diligent Implementation of Policies Set By Third Plenary Session For Liberalization of Foreign Trade. Average Annual Incremental Increase in Total Export Figures During Past 3 Years of 35 Percent. Use of Locally Retained Foreign Exchange For Import of Materials Urgently Needed in Industry and Agriculture; Accumulation of Construction Capital; Acceleration of Building of Capital Facilities; Importation of Large Amounts of Equipment For Increase in Industrial and Agricultural Production Capacity"]

[Text] Under the guidance of liberalization policies in external relations set by the Third Plenary Session of the 11th Party Central Committee, Fujian Province has advanced with giant strides for remarkable results in advancing development of the province's national economy.

Since the Third Plenary Session, the province has taken various positive actions such as an expansion in the export of industrial and mineral products from light and textile industries, handwork products, and from the electrical machinery and chemical industries. It has begun the importation of materials for processing, engaged in compensatory trade, and has sent personnel outside the country to promote sales, to run fairs abroad, and to establish trade organizations, etc. Expansion of foreign trade has produced remarkable results. Currently Fujian Province has trade relations with 120 nations and regions of the world. Comparison of 1981 with 1978 shows a one and one-half fold increase in the province's total imports and exports. During the 3 year period, the average annual incremental increase was 35 percent. This included a doubling of exports in an average incremental 26 percent increase annually.

The rapid expansion of foreign trade has directly given impetus to the development of those industrial and agricultural production units charged with the task of producing goods for export on the one hand, and has accumulated large amounts of construction funds for the province on the other, which has provided the province with very great reserve capacity for development of the national economy. This is manifested specifically in the following particulars:

First is direct advancement of the development of industrial and agricultural production concerned. In a period of 3 years, the total volume of the export trade has doubled, and industrial and agricultural production departments concerned have seen expansion in the export commodity production tasks for which they are responsible. By using imports to nurture exports, and through effective measures for expanding exports, much idle equipment, plant buildings, and workforces have found rather full utilization. Departments in the province concerned with foreign trade have also allocated some materials and funds to the building and development of a group of special agricultural sideline product commodity export bases for things such as tea and fresh fruits. They have also jointly invested funds with industrial departments to build special plants and special workshops for the specialized production of export commodities. Statistics show that during the 3 year period between 1979 and 1978 the province's accumulated volume of special loans for the export of industrial goods was 45 percent greater than the province's total accumulated volume of loans during the 7 year period 1972 to 1978, for an increase in total industrial output value of about 200 million yuan.

Second is use of the province's locally retained foreign exchange to import critically needed materials to promote development of the economy. Formerly the central government annually allocated the province a fixed amount of foreign exchange, but following institution of special policies and flexible measures, the province instituted the assumption of sole responsibility for its foreign exchange, and foreign exchange earnings from trade for the period 1980-1981 in excess of the 1978 base figure were completely retained by the province. As a result the province's local foreign exchange earnings for these 2 years increased more than 10 fold over what they had been. Over the past 3 years, the province has used 40 percent of locally retained foreign exchange for the importation of goods to support agriculture and raw materials and supplementary materials in short supply for industry, which has vigorously supported development of agriculture and of light industries. Last year, rice blast broke out over wide areas in some of the counties of Jianyang Prefecture, the province's principal commodity grain base, but thanks to the use of imported edinphensoph, this pest was promptly eliminated and increased grain yields assured.

Third is accumulation of construction funds to hasten the building of capital facilities. During the past several years, some of the funds accumulated as a result of foreign trade export and import activities have been invested in energy, communications, transportation and such capital facilities as major capital construction projects, and have played an active role. Jobs have included expansion of the Fuzhou airport, new construction of the Dongdu harbor at Xiamen, dredging of the Mawei harbor channel, construction of hydroelectric and thermal electric stations (or plants) at Chitan, expansion of the Yongan, Yongding, and Longyan coal mining zones, new construction of the Fuzhou Cotton Textile Plant, continued building of the Sanming Chemical Industry Plant, as well as urban renewal, and building of worker dormitories, etc. Once these things have been built, the energy and transportation shortage situation in the province will be ameliorated to create conditions for further expansion of the provinces external economic activities and to enliven the economy.

Fourth is improvement in ability to pay for imported equipment, and importation of large amounts of equipment to increase the production capacity of industrial enterprises. In the 3 year period from 1979 to 1981, the province imported 399 pieces of equipment plus machinery spare parts, instruments, gauges, and measuring tools valued at between 50 and 60 million dollars. A considerable portion of them were purchased with locally retained foreign exchange from trade. In addition, among the equipment imported during the past 3 years in the form of compensatory trade, a considerable portion was through foreign trade. Most of this equipment is fairly technically advanced key production equipment that produces mostly products urgently needed in domestic and foreign markets, and from which the entire investment can be recovered within a fairly short time after it goes into production.

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CSO: 4006/639

FOREIGN TRADE

RURAL PROCESSING BUSINESS FOR EXPORT PROSPERING

Guangzhou NANFANG RIBAO in Chinese 18 Aug 82 p 1

[Article by Tan Guangdou [6009 0342 2435] and Huang Rong [7806 2837]: "Province's Rural Commune and Brigade Processing Business For Export Increasingly Prospers; Creates More than \$100 Million in Foreign Exchange During Past 3 Years"]

[Text] The province's rural commune and brigade processing and assembling business for export is prospering increasingly. According to statistics from provincial departments concerned, since 1979 more than 5,400 contracts have been signed with foreign traders for processing and assembly, and income for wages, depreciation, supplementary materials, management fees, fuel, and taxes has amounted to more than \$110 million. This year still new development has taken place. Statistics from Foshan and Shantou prefectures and from Guangzhou Municipality alone show that during the first half of the year, more than 1,000 contracts were signed, and earnings from wages, depreciation, supplementary materials, management fees, fuel, and taxes were 20 percent greater than during the same period last year.

Items processed and assembled by the province's rural communes and brigades are numerous, the principal of them being clothing, wool spinning, knitting, chemical fibers, leather, plastics, metal fittings [nails, wire, bolts, locks, etc.], toys, embroideries, jewelry, radios, and recorders. In many communes and brigades, rural workforces and skilled craftsmen have been put to work and either idle meeting halls, memorial halls, and warehouses have been converted to worksites, or else wastelands and mountain slopes have been used to build new plant buildings in the operation of export processing enterprises one after another. Today export processing and assembly enterprises are located in the farflung rural villages of 67 counties and municipalities in the province and employ more than 40,000 people.

In operating foreign processing and assembly businesses, rural communes and brigades do not need either investment or supply of commodity grain by the state, nor do they require increases in labor norms, but are able to make a fairly great contribution to the country. During the last 3 years, communes and brigades throughout the province engaged in processing and assembly for export have provided the country more than \$100 million in foreign exchange

earnings, and have additionally paid the state more than 40 million renminbi in taxes annually. At the same time the communes and brigades have themselves enjoyed great benefits with increases in the levels of distributions to commune members and collectives.

Launching of commune and brigade processing and assembly business for export has both widened avenues for employment of workforces and made rural fairs flourish, and has also helped use foreign capital and the importation of equipment and skills to buttress commune and brigade enterprises, and create conditions for further development of enterprises. During the past several years, foreign capital used in commune and brigade enterprises throughout the province has amounted to more than \$40 million, and more than 20,000 pieces of equipment of various kinds have been imported. In addition large amounts of chemical fibers, plastics, leather, and billet have been provided by foreign traders, which has played a very great role in enlivening commune and brigade enterprises. Last year Panyu County imported almost 4,000 pieces of equipment of various kinds using foreign capital. This equipment was valued at more than \$2.5 million and resulted not only in a renewal and improvement of 20 commune and brigade clothing plants and leather plants in the county, but also resulted in the operation of more than 20 new enterprises in an expansion of the business of processing and assembling goods from outside China.

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FOREIGN TRADE

BRIEFS

SHAANXI SELF-MANAGED EXPORTS—Guided by the open-door policy, the self-managed exports of our provinces have now entered the world market instead of being confined to Hong Kong and Macao. According to statistics compiled in the first 10 days of August, the total value of self-managed exports in our province has reached \$22,440,000, exceeding the total value of the 3 years before the Third Plenary Session of the 11th Party Central Committee by \$7,180,000. The total value of exports from 1980 up to now is 3.67 times that from 1977 to 1979. The number of varieties exported by the province itself has increased from 13 in 1977 to 166. In 1980, our market was only in the nearby countries across the sea. In 1981, it was expanded to West Germany, France, England, the United States, and 32 other countries across the oceans. [Text] [Xian SHAANXI RIBAO in Chinese 27 Aug 82 p 1] 9411

CSO: 4006/009

TRANSPORTATION

ACHIEVEMENTS OF HIGHWAY CONSTRUCTION REPORTED

Beijing GONREN RIBAO in Chinese 28 Aug 82 p 1

[Article by Jiao Xuan [3542 6513]: "More Than 2,000 Counties and Towns in the Country Now Accessible by Highways"]

[Text] Outstanding achievements have been made in highway construction during the national economic readjustment in our country. In the past 3 years, some 30,000 kilometers of new highways have been built and more than 20,000 kilometers have been surfaced with asphalt. A total of 5,000 highway bridges, totaling 500,000 meters, have also been built.

Among the newly constructed highways, some are trunk highways of great significance to the national economy, and many are local highways promoting the intercourse between cities and the countryside. The Qingxin Highway, which was completely open for traffic last year, is one of the main arteries of transportation, more than 2,000 kilometers long connecting Xingjiang and Qinghai with the inland. According to statistics, 900,000 kilometers of highway, being 13 times the length in the early post-liberation period, are open for traffic in the country. With the exception of Motuo County in Xizang, all the other counties and towns, totaling more than 2,000 in 29 provinces, municipalities and autonomous regions are now accessible by highways, and more than 90 percent of some 50,000 rural communes are accessible for cars.

Along with the development of highway construction, bridge construction techniques have also made remarkable progress in our country. There are now 130,000 highway bridges in the country, totaling more than 3,700 kilometers in length. The Jinan Huanghe Bridge is a prestressed concrete stayed-cable bridge with so far the longest span in our country. It was open for traffic in July, and motor cars from Beijing and Tianjin can now drive straight to Nanjiang and Shanghai, thus greatly raising transportation efficiency.

9411

CSO: 4006/006

TRANSPORTATION

INCREASED USE OF CONTAINERS IN SHANGHAI FOR INTERNATIONAL TRANSPORT

Beijing GONGREN RIBAO in Chinese 7 Sep 82 p 3

[Article by Dong Wenjun [5516 2429 0193]: "Remarkable Development in the Use of Containers for International Transport in Shanghai Port"]

[Text] The use of containers for international transport is being vigorously developed in Shanghai Port, and three direct lines from China to Japan, America and Australia have been opened in addition to the Shanghai-Hong Kong line. A container pick-up service has also been started on the European lines. Last year, the Shanghai port handled a total of nearly 50,000 containers, an increase of 233 percent over 1979. From January to July this year, a total of more than 6,000 containers, a 58 percent increase over the same period last year, were handled. The amount of freights carried in containers were more than 300,000 tons.

Shanghai Port is an old port. There is no special wharf for containers, and loading-unloading efficiency was low in the past. This was inconvenient for foreign trade shipping. Technical transformation was carried out in recent years, and a container service company was formed to improve the administration. As a result, the loading and unloading of containers from ships were gradually improved, and in the first half of this year, the time required for container-carrying ships to stay at the wharfs were reduced by 11.4 percent, compared with the same period last year.

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CSO: 4006/006

TRANSPORTATION

CONSTRUCTION OF NEW RAILWAYS REPORTED

Beijing GONGREN RIBAO in Chinese 26 Aug 82 p 1

[Article by Wang Fale [3769 4099 8021]: "New Achievements in Railway Building in Our Country"]

[Text] There were many railways under construction in the country in 1978. Because of the large scale of work, many projects had to drag on and were left uncompleted for many years. The long construction periods have raised the construction costs and caused serious waste. They have thus become "beard-growing" projects. Since the Third Plenary Session of the 11th Party Central Committee, the railway departments have resolutely reduced the scale of the construction in implementing the policy of readjustment, and then made particular efforts to strengthen the 18 projects which would help in the transportation of coal. After 3 years' efforts, 14 of them have been completed for traffic. The laying of rail tracks is being stepped up for the Fuhuai line, which is one of the remaining four projects, while construction is now going on in earnest for Jingqin and Yangshi lines, which are also among the remaining unfinished projects.

While new construction is going on, technical transformation is being strengthened on the existing lines, especially those for transporting coal and phosphate rocks out of Shanxi and the southwestern area and for the ports and coastal areas where material supplies are collected and distributed. Technical transformation on some line has increased the capacity for transporting coal out of Shanxi by 51 percent, and beyond the Great Wall by nearly two-folds.

Newly Construction Railways, Totaling 1371.9 Kilometers

There are altogether 14 new lines. Among them, the Beijing-Tongliao line, the Xiangfan-Chongqin line, the Taiyuan-Jiaozuo line and the Xindian-Taian line have already been formally handed over for business transportation, while the other 10 lines are also in operation.

Newly Constructed Double-Track Lines, 762.7 Kilometers

The main lines are the Jingbao double-track line, the Shide double-track line, the Jiaoji double-track line, the Nantongpu double-track line, the Jingguang double-track line and the Longhai double-track line.

Construction of Electrified Lines, 642 Kilometers

The main projects are for the Longhai line, the Fengsha line, the Shida line and the Xiangyu line.

Main Intersections, Two (Zhengzhou and Xuzhou)

9411

CSO: 4006/006

GENERAL

'TO EACH ACCORDING TO HIS WORK', SPIRIT OF COMMUNISM STRESSED

Fuzhou FUJIAN RIBAO in Chinese 16 Sep 82 p 2

[Article by Qi Xingzhi [7871 5887 0037]: "To Each According to His Work and the Development of the Spirit of Communism"]

[Text] In the past several years, the policy "to each according to his work" has been extensively practiced in the urban and rural areas. Remunerations for labor are now more reasonable, and the workers, peasants and intellectuals all like it. People have said: "To each according to his work" is the policy to "make people diligent." The diligent people are now even more diligent, and the lazy people have become diligent too. This can be called a great success in setting things right. There is no doubt that this good policy should be kept up. Distribution according to work should be practiced throughout the entire socialist historical period; such stupid things as "communist wind" and "evening things up" must not be permitted to happen again, and such defects as "work and no work, more work and less work, and good and poor work make no difference" must be further eliminated.

However, distribution according to work is not the sole principle for arousing the enthusiasm of the broad masses of cadres and people in accomplishing socialist modernization. Another principle, which is even more important, is that of ideological, political and communist education. If we disregard the latter principle and talk only of distribution according to work, we will go to the other extreme. Formerly, when we were wiping out the "leftist" pernicious influence, we stressed the policy "to each according to his work" without any short change. It was correct then. Even now, we have to overcome egalitarianism and uphold the policy "to each according to his work." As communist party members, however, we must constantly enhance our communist consciousness and carry forward the communist spirit instead of trying to "account for every jin and every liang of our work." On being admitted to the party, we all took the oath that we would "dedicate our whole lives to the realization of communism." It is true that we need food, living accommodation, wages and bonuses in our daily life. However, communism is our lofty ideal, and we must not change "to each according to his work" into "working in accordance with the remunerations offered," and put a price tag on anything we do. Now some people want to have more bonus and overtime pay in addition to their regular wages. Bonuses and overtime pay should be given if they are justifiable. In real life, however, there are many excuses for paying bonus and overtime pay indiscriminately. Many

monstrosities have appeared recently. For example, even though the production plan remains unfulfilled, bonuses are paid just the same; and some work, which could have been completed on the regular shift, has to drag on so that the workers have to be paid overtime. Even rescue and relief work has to be paid for. Therefore, "thinking of everything in terms of money" has become very popular. People have become short-sighted and have forgotten all about communist ideals and work style. If these things are forgotten, we will lose our sense of direction and the inspiration for us to advance toward the militant goal set by the party. Here, one issue must be clarified. The ideology of our communist party is that of communism, but there has always been certain differences between our ideology and the actual policies or economic policies in our actual work at the present stage. In our socialist society, the system of distribution of the means of subsistence for individuals should be based on the work done, because the fruits of social production are not quite abundant. However, we must think of communism instead of distribution according to work done. We never make revolution merely for the sake of wages and more bonuses. In other words, distribution according to work should never be the motive of our revolution. We must never make revolution with a weighing scale in hand to weigh every bit of service we render.

The 12th National Party Congress has called on us to create a new situation in all fields of socialist modernization. This inspiring undertaking cannot be accomplished without great efforts; it has to go through a process of great hardship. What do we rely on as an inspiration to the broad masses of cadres and people to exert their efforts? It is true that we have to uphold the policy "to each according to his work." But can we carry on this painstaking and creative work if we only talk about "to each according to his work" and must be paid for every bit of work we do?

The path of our advance is not a smooth one. We cannot overcome the difficulties and obstacles if we only talk about "to each according to his work" instead of developing the spirit of communism.

To create a new situation in all fields of socialist modernization, we, as communist party members, cannot talk about money, and even less about "working in accordance with the remunerations offered" or "weighing every bit of work." Instead, we must do our job as best as we could, and be prepared to make any sacrifice.

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CSO: 4006/009

GENERAL

SYMPOSIUM ON SOCIALIST ECONOMIC THEORIES HELD IN HARBIN

Beijing ZHONGGUO CAIMAO BAO in Chinese 30 Sep 82 p 3

[Article by Huang Wenfu [7806 2429 4395]: "Intensify the Study in the Problems of Socialist Economic Theories--A Brief Narration of the proceedings in the Second Annual Meeting of the China Socialist Political Economy Research Association"]

[Text] The China Socialist Political Economy Research Association held its second annual meeting in Harbin on 11-17 August. The participants reviewed their research work following the smashing of the "gang of four"; highlighted the achievements as well as problems with regard to the substance, orientation and methods of their research; and conducted their discussions on the problems in the movement of funds and the circulation of money, and the theoretical problems in the restructuring of the economic system.

A Review of the Research in Socialist Political Economy

All the participants agreed that since the smashing of the "gang of four", research in the theories of the socialist part of political economy has been divided into two different stages. From 1977 to the end of 1978, it was mainly the stage of setting things right. During this period, the main discussions concerned the question of the theory of the unique importance of productive forces, the question of relationship between politics and economics, the question of distribution according to work, the question of the production and the exchange of commodities, and so forth. From the end of 1978 to now, discussions were conducted on a series of theoretical questions all centering around the restructuring of the economic system, such as the question of planning and the market, the question of the systems of ownership, the question of the goal of socialist production, the proportionate relationship between the two major categories, the theoretical question of population, the strategic question of economic development, and the questions of economic accounting, economic results and economic structure. Discussions during these two stages have resulted in certain progress in theory. First, in the relationship between productive forces and the relations of production, the final and decisive role of productive forces has been affirmed. Secondly, in the relationship between politics and economics, the final and decisive role of economics has been affirmed.

Thirdly, "to each according to his work" has been affirmed as an objective economic law in socialism. In implementing the principle "to each according to his work," egalitarianism must be opposed. Fourthly, affirmation of the existence of commodity production and commodity exchange in our country has broken down the traditional belief that the means of production cannot be commodities. There is now a better understanding of the regulative role of the law of value in socialist production, and the awareness that among state-run enterprises, there is not only emulation but also competition. Fifthly, planning for the national economy has now to be in accordance with the goal of socialist production, and the proportionate relationship between accumulation and consumption has to be carefully handled. Sixthly, provided the system of public ownership remains predominant, many different economic sectors may coexist for a long time in the period of socialism. Seventhly, the socialist economic development should not follow a set pattern all the time. New ways suitable to our national conditions should be explored to realize the four modernizations. Finally, on the basis of the system of public ownership, we should uphold planned economy and at the same time bring into play the supplementary role of the market.

While affirming the achievements, the participants also freely expressed their views on the existing problems and the problems on which continued discussion is necessary in the future.

On the Question of Funds Movement and Money Circulation

1. Importance of the Study in the Theories on Funds Movement

The participants held that funds movement and money circulation not only occupy an important place in the socialist part of political economy, but also constitute an urgent problem in the strategy of economic and social developments in our country.

The participants simply recalled the different views expressed since 1978 on the supply of funds for economic construction. They all attached great importance to this question. When the production and exchange of commodities exist, economic activities inevitably call for a combination of the movements of use value and money. This is essentially a question of studying the monetary aspect of economic activities. Great efforts are required in studying these fairly complex problems.

Some comrades proposed that a socialist key economic category—funds—should be set up. Is the study in funds necessary in socialism? What economic category plays the dominant role in socialism? These questions should be clarified. In the past, we did not stress the return of funds or the results of their use, thus causing blind investments, duplicate investments and fruitless investments. This had something to do with our inadequate study in this basic category. If we study fund movements without stressing the need for investment returns and for funds to be increased in the course of their movement, whatever we do will be incompatible with the intrinsic quality and special features of funds.

2. Exploring the Relationship Between Fund Movement and Money Circulation on the One Hand and Economic Growth on the Other

The participants held that the focus of contradiction in this matter is the choice of policy on the supply of funds. To resolve this contradiction, we should first highly regard the result of fund movement. For a long time, fund movement in our country has been sluggish and the economic results are poor. The basic cause is the violation of the objective economic laws. In other words, we have not been able to work out technical and economic policies, which are consistent with our national conditions, according to objective economic laws, and our economic plans lacked scientific data. Some comrades proposed the establishment of a national committee for the control and coordination of funds, and the use of the profit rate as a means of examining every department and enterprises so as to be sure that equal amounts of funds can yield about the same profit.

In view of the fund accumulation activities now going on in the central government as well as the localities, some participants pointed out that fund raising that is unrelated to state finance and banking, can hinder the centralization and unity of finance and credit, jeopardize the state's macroeconomic plans, adversely affect the overall balance in production, and upset the financial, credit and material balances. Therefore, particular stress should be laid to "collective handling" whereby funds should be collectively handled by the financial authorities, if they need not be repaid; and by the banks, if they need to be repaid. This will be followed by the final coordination so that better use can be made of these funds through planned allocation. These measures will help make up the shortage of funds, and enable the limit funds to play a bigger role.

On the Theoretical Question of Restructuring the Economic System

1. What Are the Basic Features of Socialist Economy?

There was no difference of opinion on the system of public ownership and "to each according to his work" as the basic features of socialist economy, and the difference is only in the question of whether commodity economy or planned economy should also be one of these basic features. The vast majority of comrades held that although the production of exchange of commodities still exist and are being vigorously developed in our country at present, planned economy instead of commodity economy should be an intrinsic feature of socialist economy. The reason is that, in the first place, planned economy is the outcome of socialized mass production and the system of public ownership, and is essentially different from the capitalist economy. In the second place, the basic substance of planned economy is also different from that of capitalist economy.

2. Socialist Economic Setup and Economic System

The majority of participants held that socialist economic setup and socialist economic system are two different concepts, and that an understanding of their relationship and difference is of great significance in theory and practice. Socialist economic system refers to the basic social structure of socialist economy, while socialist economic setup refers to the different specific forms adopted by the basic social structure under different social conditions. Both of them are under the category of relations of production. Reforming the economic setup does not call for any change in the socialist economic system; its purpose is to look for a more suitable specific form of socialist relations of production in order to develop its strong points more effectively.

In discussing the theoretical question of reforming the economic setup, the participants also explored the question of relationship between the reform of the economic setup and the system of ownership and the question of planning and the market in socialist economy.

The comrades present at the meeting believed that the study of economic theories in our country at present is still inadequate for our socialist modernization. Hereafter, the Socialist Political Economy Research Association should further mobilize and organize the economic theorists concerned to actively explore the theoretical system of the socialist part of political economy, while paying attention to the study of various actual economic problems. Then they will continue to help raise the level of economic theories in our country.

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